



ARCTIC PAPER

ARCTIC PAPER CAPITAL GROUP

Consolidated Financial Statements
for the year ended
on 31 December 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 consolidated annual financial statement in the European Single Electronic Format (ESEF) which is the electronic reporting format in which issuers on EU regulated markets shall prepare their annual financial reports from 1 January 2020 based on Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format as amended. This PDF version of consolidated annual financial statement of Arctic Paper Capital Group has been prepared solely only for the convenience of digital reading.

Despite all the efforts devoted to the conversion of XHTML file into PDF format, certain discrepancies, omissions or approximations may exist.

In case of any differences between the PDF and the XHTML versions, the XHTML version is the only one legally binding and shall prevail.

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

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INTRODUCTION

Information on consolidated financial statements

These Consolidated Financial Statements, which are a component of the Consolidated Annual Report for 2023 were prepared in accordance with the Regulation of the Minister of Finance of 29 March 2018 on the current and periodic information provided by securities issuers and on the conditions for recognizing information required by the law of a non-EU member state as equivalent information (Journal of Laws of 20018, item 757, as amended) and in accordance with International Financial Reporting Standards (IFRS), approved by the EU (IFRS, EU).

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

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

Definitions and abbreviations

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

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

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

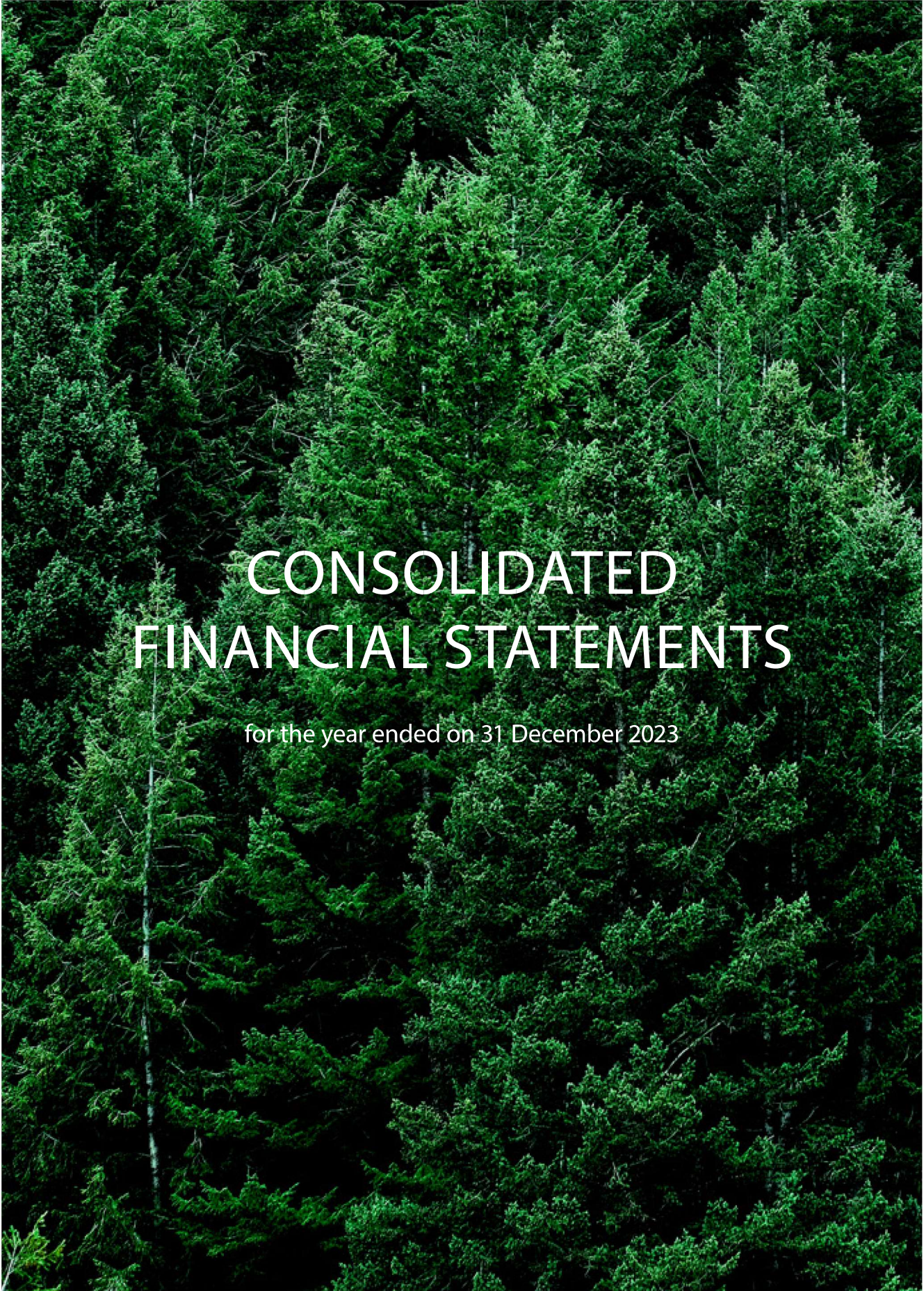
	Arctic Paper Danmark A/S with its registered office in Greve (Denmark);
	Arctic Paper France SA with its registered office in Paris (France);
	Arctic Paper Deutschland GmbH with its registered office in Hamburg, Germany;
	Arctic Paper Italia Srl with its registered office in Milan (Italy);
	Arctic Paper Baltic States SIA with its registered office in Riga (Latvia);
	Arctic Paper Norge AS with its registered office in Oslo (Norway);
	Arctic Paper Polska Sp. z o.o. with its registered office in Warsaw (Poland);
	Arctic Paper España SL with its registered office in Barcelona (Spain);
	Arctic Paper Finance AB with its registered office in Munkedal (Sweden);
	Arctic Paper Schweiz AG with its registered office in Derendingen (Switzerland)
	Arctic Paper UK Ltd with its registered office in London (UK)
Arctic Power Sp. z o.o. (formerly Arctic Paper East Sp. z o.o.)	Arctic Power Sp. z o.o. with its registered office in Kostrzyn nad Odrą (Poland)
Kostrzyn Packaging Spółka z o.o.	Arctic Paper East Sp. z o.o. with its registered office in Kostrzyn nad Odrą (Poland)
Rottneros, Rottneros AB	Rottneros AB with its registered office in Sunne (Sweden)
Rottneros Group, Rottneros AB Group	Rottneros AB with its registered office in Söderhamn, Sweden; Rottneros Bruk AB with its registered office in Rottneros, Sweden; Utansjö Bruk AB with its registered office in Söderhamn, Sweden, Vallviks Bruk AB with its registered office in Vallvik, Sweden; Rottneros Packaging AB with its registered office in Sunne, Sweden; SIA Rottneros Baltic with its registered office in Kuldiga, Latvia; since 1 January 2020 – Nykvist Skogs AB with its registered office in Gräsmark, Sweden
Pulp Mills	Rottneros Bruk AB with its registered office in Rottneros, Sweden; Vallviks Bruk AB with its registered office in Vallvik, Sweden
Rottneros Purchasing Office	SIA Rottneros Baltic with its registered office in Kuldiga, Latvia
Office Kalltorp	Kalltorp Kraft Handelsbolaget with its registered office in Trollhattan, Sweden

Nemus Holding AB	Nemus Holding AB with its registered office in Göteborg, Sweden
Thomas Onstad	The Issuer's core shareholder, holding directly and indirectly over 50% of shares in Arctic Paper S.A.; a member of the Issuer's Supervisory Board
Management Board, Issuer's Management Board, Company's Management Board, Group's Management Board	Management Board of Arctic Paper S.A.
Supervisory Board, Issuer's Supervisory Board, Company's Supervisory Board, Group's Supervisory Board, SB	Supervisory Board of Arctic Paper S.A.
AGM, GM, Issuer's General Meeting, Company's General Meeting	Annual General Meeting of Arctic Paper S.A.
EGM, Extraordinary General Meeting, Issuer's Extraordinary General Meeting, Company's Extraordinary General Meeting	Extraordinary General Meeting of Arctic Paper S.A.
Articles of Association, Issuer's Articles of Association, Company's Articles of Association	Articles of Association of Arctic Paper S.A.
SEZ	Kostrzyńsko-Słubicka Special Economic Zone
Registration Court	District Court in Zielona Góra
Warsaw Stock Exchange, WSE	Giełda Papierów Wartościowych w Warszawie Spółka Akcyjna
KDPW, Depository	Krajowy Depozyt Papierów Wartościowych Spółka Akcyjna with its registered office in Warsaw
PFSA	Polish Financial Supervision Authority
SFSA	Swedish Financial Supervisory Authority, equivalent to PFSA
NASDAQ in Stockholm, Nasdaq	Stock Exchange in Stockholm, Sweden
CEPI	Confederation of European Paper Industries
EURO-GRAPH	The European Association of Graphic Paper Producers
Eurostat	European Statistical Office
GUS	Central Statistical Office of Poland
NBSK	Northern Bleached Softwood Kraft
BHKP	Bleached Hardwood Kraft Pulp

Definitions of selected terms abbreviations of currencies

FY	Financial year
Q1	1st quarter of the financial year

Q2	2nd quarter of the financial year
Q3	3rd quarter of the financial year
Q4	4th quarter of the financial year
H1	First half of the financial year
H2	Second half of the financial year
YTD	Year-to-date
Like-for-like, LFL	Analogous, with respect to operating result.
p.p.	Percentage point, difference between two amounts of one item given in percentage
PLN, zł, złoty	Monetary unit of the Republic of Poland
gr	grosz – 1/100 of one zloty (the monetary unit of the Republic of Poland)
Euro, EUR	Monetary unit of the European Union
GBP	Pound sterling, monetary unit of the United Kingdom
SEK	Swedish krona – the monetary unit of Sweden;
DKK	Danish krona – the monetary unit of Denmark;
NOK	Norwegian krona – the monetary unit of Norway;
CHF	Swiss franc – the monetary unit of Switzerland;
USD	United States dollar, the legal tender in the United States of America
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IFRS EU	International Financial Reporting Standards endorsed by the European Union
GDP	Gross Domestic Product.

An aerial photograph of a dense, lush green forest, likely a coniferous woodland, covering a hillside. The trees are tightly packed, creating a textured canopy of various shades of green. The perspective is from directly above, looking down into the forest.

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended on 31 December 2023

Consolidated profit and loss account

	Note	Year ended on 31 December 2023	Year ended on 31 December 2022
Continuing operations			
Revenues from sales of paper and pulp	10.1	3 549 153	4 894 276
Sales revenues		3 549 153	4 894 276
Costs of sales	11.5	(2 803 469)	(3 483 519)
Profit/(loss) on sales		745 684	1 410 757
Selling and distribution costs	11.5	(340 973)	(445 197)
Administrative expenses	11.5	(124 077)	(138 766)
Other operating income	11.1	129 397	85 778
Other operating expenses	11.2	(52 963)	(69 593)
Operating profit/(loss)		357 068	842 979
Financial income	11.3	15 069	92 767
Financial expenses	11.4	(31 220)	(8 169)
Gross profit/(loss)		340 917	927 577
Income tax	13	(68 529)	(170 755)
Net profit/(loss) from continuing operations		272 388	756 822
Net profit/(loss) for the financial year		272 388	756 822
Attributable to:			
The shareholders of the Parent Entity		247 132	631 001
To the non-controlling shareholder		25 256	125 821
Earnings/(loss) per share:			
– basic earnings from the profit/(loss) attributable to the shareholders of the Parent Entity	14	3,57	9,11
– diluted earnings from the profit attributable to the shareholders of the Parent Entity	14	3,57	9,11

Consolidated statement of total comprehensive income

	Note	Year ended on 31 December 2023	Year ended on 31 December 2022
Net profit/(loss) for the reporting period		272 388	756 822
Items of other comprehensive income to be reclassified to profit or loss, before taxation		(344 643)	141 734
FX differences on translation of foreign operations	25.2	(99 034)	(71 265)
Measurement of financial instruments, including:		(245 609)	212 999
<i>Measurement of financial instruments (items to be reclassified in future periods)</i>	12	(224 619)	466 958
<i>Measurement of financial instruments (items reclassified in the period)</i>	12	(20 990)	(253 959)
Items of other comprehensive income not to be reclassified to profit or loss, before taxation		282	1 935
Actuarial profit/(loss) for defined benefit plans	27.2	282	1 935
Other comprehensive income before tax		(344 361)	143 669
Income tax relating to items of other comprehensive income that will be reclassified to profit or loss		50 399	(43 940)
Deferred income tax on the measurement of financial instruments, of which:	13.1	50 399	(43 940)
Deferred income tax on the measurement of financial instruments		46 092	(96 332)
Deferred income tax on the measurement of financial instruments (reclassified in the period)		4 307	52 392
Income tax relating to items of other comprehensive income not to be reclassified to profit or loss		(174)	438
Deferred income tax on actuarial profit/(loss) relating to defined benefit plans	13.1	(174)	438
Other net comprehensive income		(294 136)	100 167
Total comprehensive income for the period		(21 748)	856 989
Total comprehensive income attributable to:			
The shareholders of the Parent Entity		42 885	703 197
Non-controlling shareholders		(64 633)	153 792

Consolidated statement of financial position

	Note	As at 31 December 2023	As at 31 December 2022
ASSETS			
Fixed assets			
Tangible fixed assets	16	1 166 171	1 125 004
Investment properties	18	1 751	1 763
Intangible assets	19	58 464	63 899
Goodwill	19	8 230	8 847
Interest in joint ventures	20.3	4 891	4 264
Other financial assets	20.1	49 414	162 617
Other non-financial assets	20.2	158	277
Deferred income tax asset	13.3	3 183	5 196
TOTAL FIXED ASSETS		1 292 262	1 371 867
Current assets			
Inventories	22	444 930	601 205
Trade and other receivables	23	415 421	503 391
Corporate income tax receivables		847	633
Other non-financial assets	20.2	17 170	12 048
Other financial assets	20.1	51 798	283 411
Cash and cash equivalents	24	500 449	481 930
TOTAL CURRENT ASSETS		1 430 615	1 882 618
TOTAL ASSETS		2 722 877	3 254 485

	Note	As at 31 December 2023	As at 31 December 2022
EQUITY AND LIABILITIES			
Equity			
Equity (attributable to the shareholders of the Parent Entity)			
Share capital	25.1	69 288	69 288
Supplementary capital	25.3	443 805	407 976
Other capital	25.4	175 639	312 447
FX differences on translation	25.2	(107 341)	(39 794)
Retained earnings/Accumulated losses	25.5	862 036	837 702
		1 443 427	1 587 619
Non-controlling interests	25.6	358 081	464 563
TOTAL EQUITY		1 801 508	2 052 182
Long-term liabilities			
Loans payables	26	79 311	139 166
Provisions	28	5 095	1 264
Employee liabilities	27	41 139	43 547
Other financial liabilities	26	24 887	23 158
Deferred income tax provision	13.3	121 208	177 750
Grants and deferred income	29.2	8 113	10 512
		279 753	395 397
Short-term liabilities			
Loans payables	26	43 862	35 387
Provisions	28	1 240	9 202
Other financial liabilities	26	4 880	8 055
Trade and other payables	29.1	447 917	551 211
Employee liabilities	27	105 525	133 165
Income tax liability		29 485	55 043
Grants and deferred income	29.2	8 707	14 843
		641 616	806 906
TOTAL LIABILITIES		921 369	1 202 303
TOTAL EQUITY AND LIABILITIES		2 722 877	3 254 485

Consolidated cash flow statement

	Note	12-month period ended on 31 December 2023	12-month period ended on 31 December 2022
Cash flows from operating activities			
Gross profit/(loss)		340 917	927 577
<i>Adjustments for:</i>		217 095	(255 264)
Depreciation/amortisation	11.6	118 237	130 994
Impairment of non-financial assets		-	-
FX gains/(loss)		(4 610)	7 371
Interest, net		6 682	3 315
Profit/(loss) on investing activities		2 291	1 714
(Increase)/decrease in trade and other receivables		64 913	(124 010)
(Increase)/decrease in inventories		129 807	(223 436)
Increase/(decrease) of liabilities except loans, borrowings, bonds and other financial liabilities		(96 201)	89 375
Change in non-financial assets		(27 959)	(4 569)
Change in provisions		4 797	(8 888)
Change in pension provisions and employee liabilities		(17 820)	(26 663)
Change in grants and deferred income		(7 813)	4 868
Co-generation certificates and CO2 emission rights (increase)		2 221	(11 746)
Change in settlement of realised forward contracts that meet hedge accounting rules (reduction)		46 526	(20 913)
Change in accounting for unrealized forward contracts not meeting hedge accounting rules		(3 566)	(72 340)
Other		(410)	(336)
Total flows from operations		558 012	672 313
Income tax paid		(86 808)	(64 930)
Net cash flows from operating activities		471 204	607 383
Cash flows from investing activities			
Disposal of tangible fixed assets and intangible assets		2 989	-
Purchase of tangible fixed assets and intangible assets		(200 172)	(154 879)
Outflows from bank deposit set up for more than 3 months		(41 520)	-
Proceeds from bank deposit set up for more than 3 months		41 520	-
Interest received		531	-
Proceeds from forward contracts that do not comply with hedge accounting rules		61 013	-
Acquisition of long-term financial assets		(11 490)	-
Other capital outflows / inflows		409	(1 000)
Net cash flows from investing activities		(146 720)	(155 879)
Cash flows from financing activities			
Change to overdraft facilities		-	(18 313)
Repayment of leasing liabilities		(9 795)	(6 790)
Repayment of other financial liabilities		(795)	1
Proceeds from borrowing		39 619	-
Repayment of loans		(80 761)	(48 049)
Dividend paid to shareholders of AP SA	15	(187 077)	(27 715)

Dividend paid to non-controlling shareholders	25.6	(41 849)	(20 088)
Interest paid		(8 276)	(3 634)
Net cash flows from financing activities		(288 934)	(124 588)
Increase/(decrease) in cash and cash equivalents		35 550	326 916
Net FX differences		(17 031)	(12 913)
<i>Increase (decrease) in cash and cash equivalents after effects of exchange rate changes</i>		18 519	314 003
Cash and cash equivalents at the beginning of the period		481 930	167 927
Cash and cash equivalents at the end of the period	24	500 449	481 930

Consolidated statement of changes in equity

		Attributable to the shareholders of the Parent Entity							
	Note	Share capital	Supplementary capital	FX differences on translation of foreign operations	Other capital	Retained earnings (Accumulated losses)	Total	Equity attributable to non-controlling shareholders	Total equity
As at 1 January 2023		69 288	407 976	(39 794)	312 447	837 702	1 587 619	464 563	2 052 182
Net profit/(loss) for the period		-	-	-	-	247 132	247 132	25 256	272 388
Other net comprehensive income for the period		-	-	(67 547)	(136 808)	108	(204 247)	(89 889)	(294 136)
Total comprehensive income for the period		-	-	(67 547)	(136 808)	247 240	42 885	(64 633)	(21 748)
Profit distribution		-	35 829	-	-	(35 829)	-	-	-
Payment of dividend to shareholders of AP SA	15, 26.6	-	-	-	-	(187 077)	(187 077)	(41 849)	(228 926)
The sum of the changes in the capital		-	35 829	(67 547)	(136 808)	24 334	(144 192)	(106 482)	(250 674)
As at 31 December 2023		69 288	443 805	(107 341)	175 639	862 036	1 443 427	358 081	1 801 508

Attributable to the shareholders of the Parent Entity									
	Note	Share capital	Supplementary capital	FX differences on translation of foreign operations	Other capital	Retained earnings (Accumulated losses)	Total	Equity attributable to non-controlling shareholders	Total equity
As at 1 January 2022		69 288	407 976	7 534	201 226	226 113	912 137	330 859	1 242 996
Net profit/(loss) for the period		-	-	-	-	631 001	631 001	125 821	756 822
Other net comprehensive income for the period		-	-	(47 328)	117 149	2 375	72 196	27 971	100 167
Total comprehensive income for the period		-	-	(47 328)	117 149	633 376	703 197	153 792	856 989
Payment of dividend to shareholders of AP SA	15, 26.6	-	-	-	(5 928)	(21 787)	(27 715)	(20 088)	(47 803)
Total changes in capital		-	-	(47 328)	111 221	611 589	675 482	133 704	809 186
As at 31 December 2022		69 288	407 976	(39 794)	312 447	837 702	1 587 619	464 563	2 052 182

Accounting principles (policies) and additional explanatory notes

1. General information

The Arctic Paper Group is a paper and pulp producer. We offer voluminous book paper and a wide range of products in this segment, as well as high-grade graphic paper. The Group produces numerous types of uncoated and coated wood-free paper as well as wood uncoated paper for printing houses, paper distributors, book and magazine publishing houses and the advertising industry. As at 31 December 2023, the Arctic Paper Group employs over 1,500 people in its Paper Mills, companies involved in sale of paper and in pulp producing companies, procurement office and a company producing food packaging. Our Paper Mills are located in Poland and Sweden. Pulp Mills are located in Sweden. As at 31 December 2023, the Group had 13 Sales Offices ensuring access to all European markets, including Central and Eastern Europe. Our consolidated sales revenues for 12 months of 2023 amounted to PLN 3,549 million.

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

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

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

1.1. Business activity

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

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

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

1.1. Shareholding structure

As at 31.12.2023					As at 31.12.2022				
Shareholder	Number of shares	Share in the share capital [%]	Number of votes	Share in the total number of votes [%]	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%	Thomas Onstad	47 205 107	68,13%	47 205 107	68,13%
- indirectly via	41 581 449	60,01%	41 581 449	60,01%	- indirectly via	40 981 449	59,15%	40 981 449	59,15%
<i>Nemus Holding AB</i>	40 981 449	59,15%	40 981 449	59,15%	<i>Nemus Holding AB</i>	40 381 449	58,28%	40 381 449	58,28%
<i>other entity</i>	600 000	0,87%	600 000	0,87%	<i>other entity</i>	600 000	0,87%	600 000	0,87%
- directly	5 623 658	8,12%	5 623 658	8,12%	- directly	6 223 658	8,98%	6 223 658	8,98%
Other	22 082 676	31,87%	22 082 676	31,87%	Other	22 082 676	31,87%	22 082 676	31,87%
Total	69 287 783	100,00%	69 287 783	100,00%	Total	69 287 783	100,00%	69 287 783	100,00%
Treasury shares	-	0,00%	-	0,00%	Treasury shares	-	0,00%	-	0,00%
Total	69 287 783	100,00%	69 287 783	100,00%	Total	69 287 783	100,00%	69 287 783	100,00%

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% (31 December 2022: 68.13%) and has not changed until the date hereof.

The ultimate Parent Entity of the Group that prepares the consolidated financial statements is Nemus Holding AB. The ultimate owner for the Group is Mr Thomas Onstad.

2. Group composition

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

Unit	Registered office	Business activity	Group's interest in the equity of the subsidiary entities as at	
			31 December 2023	31 December 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 Mochenwangen GmbH	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Non-operating company, formerly paper production	99,74%	99,74%
Arctic Paper Grycksbo AB	Sweden, Box 1, SE 790 20 Grycksbo	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, Ophemstraat 24, B-3050 Oud-Heverlee	Trading company	100%	100%
Arctic Paper Schweiz AG	Switzerland, Gutenbergstrasse 1, CH-4552 Derendingen	Trading company	100%	100%
Arctic Paper Italia srl	Piazzale Biancamano 8 20121 Milano, Italia	Trading company	100%	100%
Arctic Paper Danmark A/S	Denmark, Korskindelund 6 DK-2670 Greve	Trading company	100%	100%
Arctic Paper France SAS	France, 43 rue de la Breche aux Loups, 75012 Paris	Trading company	100%	100%
Arctic Paper Espana SL	Spain, Avenida Diagonal 472-474, 9-1 Barcelona	Trading company	100%	100%
Arctic Paper Papierhandels GmbH	Austria, Hainburgerstrasse 34A, A-1030 Wien	Trading company	100%	100%
Arctic Paper Polska Sp. z o.o.	Poland, Okrężna 9, 02-916 Warszawa	Trading company	100%	100%
Arctic Paper Norge AS	Norway, Eikenga 11-15, NO-0579 Oslo	Trading company	100%	100%
Arctic Paper Sverige AB	Sweden, SE 455 81 Munkedal	Trading company	100%	100%
Arctic Power Sp.z o.o. (formerly Arctic Paper East Sp. z o.o.)	Poland, Fabryczna 1, 66-470 Kostrzyn nad Odrą	Production of energy	100%	100%
Arctic Paper Investment GmbH *	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Activities of holding companies	100%	100%
Arctic Paper Finance AB	Sweden, Box 383, 401 26 Göteborg	Activities of holding companies	100%	100%
Arctic Paper Verwaltungs GmbH *	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Activities of holding companies	100%	100%
Arctic Paper Immobilienverwaltung GmbH&Co. KG*	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Activities of holding companies	94,90%	94,90%
Arctic Paper Investment AB **	Sweden, Box 383, 401 26 Göteborg	Activities of holding companies	100%	100%

Unit	Registered office	Business activity	Group's interest in the equity of the subsidiary entities as at	
			31 December 2023	31 December 2022
EC Kostrzyn Sp. z o.o.	Poland, ul. Fabryczna 1, 66-470 Kostrzyn nad Odrą	Rental of properties and machines and equipment	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	76%	100%
Kalltorp Kraft Hb	Sweden, Trollhatan	Production of hydropower	50%	50%
Rottneros AB	Sweden, Söderhamn	Activities of holding companies	51,27%	51,27%
Rottneros Bruk AB	Sweden, Rottneros	Pulp production	51,27%	51,27%
Utansjö Bruk AB	Sweden, Söderhamn	Non-operating company	51,27%	51,27%
Vallviks Bruk AB	Sweden, Vallvik	Pulp production	51,27%	51,27%
Nykvist Skogs AB	Sweden, Gräsmark	Company grouping forest owners	51,27%	51,27%
Rottneros Packaging AB	Sweden, Sunne	Production of food packaging	51,27%	51,27%
SIA Rottneros Baltic	Latvia, Kuldīga	Procurement bureau	51,27%	51,27%

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

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

As at the date of this report, there were no changes from 31 December 2023.

As at 31 December 2023 and as well as on the day hereof, the percentage of voting rights held by the Group in its subsidiaries corresponded to the percentage held in the share capital of those entities. All subsidiaries in the Group are consolidated using the full method from the date on which the Group obtains control over them and cease to be consolidated from the date on which control ceases.

3. Composition of the management and supervisory bodies

3.1. Management Board of the Parent Entity

As at 31 December 2023, the Parent Entity'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 Member of the Management Board and CFO of the Parent Entity with effect from 29 May 2023.

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

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

Members of the Executive Board shall hold office continuously from the date of their appointment.

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.

3.2. Supervisory Board of the Parent Entity

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

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

Members of the Supervisory Board shall hold office continuously from the date of their appointment.

Up to the date of publication of these consolidated financial statements, there were no changes in the composition of the Parent Entity's Supervisory Board.

3.3. Audit Committee of the Parent Entity

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

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

The members of the Audit Committee shall hold office continuously from the date of their appointment

Up to the date of publication of these consolidated financial statements, there were no changes in the composition of the Parent Entity's Audit Committee.

4. Approval of the financial statements

These consolidated financial statements were approved for publication by the Parent Entity's Management Board on 04 April 2024.

5. Relevant values based on professional judgement and estimates

5.1. Professional judgement

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

Liabilities under leases – the Group as the lessee

The Group has lease contracts which it recognizes in accordance with IFRS 16. IFRS 16 introduced a uniform lessee accounting model and requires the lessee to recognize the assets and liabilities arising from each lease. On the lease commencement date, the lessee recognizes an asset with respect to the right to use the underlying asset and a lease liability that reflects the lessee's obligation to make lease payments. The Parent Entity's management exercises its professional judgement, inter alia, in determining whether a contract constitutes a lease and in determining the lease term when there is an option to extend the contract term, and makes an estimate in determining the marginal interest rate for leases based on the requirements in IFRS 16. For more information, see Note 17.

5.1. Uncertainty of estimates

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

Impairment of tangible and intangible fixed assets in Arctic Paper Grycksbo

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

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

The results of the test as at 31 December 2023 were presented in note 21.2. The test performed as at 31 December 2023 resulted in the reversal of part of the impairment allowance.

Impairment for unamortised intangible assets and goodwill

As at 31 December 2023, in accordance with the requirements of EU IFRS, Rottneros performed an impairment test for trademarks and goodwill arising from the acquisition of a subsidiary in January 2020. The test did not show the need to make an impairment allowance for this asset. The results of the test as at 31 December 2023 were presented in note 21.1.

Retirement benefits and other post-employment benefits

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

Deferred income tax asset

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

Fair value of financial instruments

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

Depreciation/amortisation rates

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

Uncertainties related to tax settlements

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

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

The Group recognises and measures current and deferred tax assets or liabilities using the requirements of IAS 12 Income Taxes on the basis of tax profit/(loss), tax base and tax rates, taking into account an assessment of the uncertainties associated with tax settlements. When an uncertainty exists if and to what extent the tax authority accepts tax settlements to specific transactions, the Group recognises those settlements subject to uncertainty assessment.

Impairment allowances to inventories and receivables

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

Impairment allowances for inventories are made when the carrying amount of a specific assortment is lower than its net realisable price. The net sales price is estimated as the realisable price of the assortment net of selling and distribution costs. Several factors are taken into account when creating inventory impairment allowances. The most important of these are the duration of the backlog and the assessment of the possibility of finding its use. When calculating such an allowance, the possibility of reusing the product in the production process is also taken into account, in which case the allowance is reduced by this value.

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

6. Basis for the preparation of the consolidated financial statements

These Consolidated Financial Statements have been made in accordance with the historical cost convention, with the exception of investment properties and derivative financial instruments that are measured at fair value.

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

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

6.1. Compliance statement

These consolidated financial statements have been prepared in accordance with the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and the conditions for recognising as equivalent the information required by the laws of a non-member state (Journal of Laws 20018, item 757, as amended), and the International Financial Reporting Standards ("IFRS") as endorsed by the European Union ("EU IFRS").

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

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

6.1. Currency of the financial statements and functional currencies

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

7. Changes in previously applied accounting policies and comparability of data

7.1. Modifications to the existing accounting principles

The accounting policies applied in the preparation of the interim abbreviated consolidated financial statements are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except as set out 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 Group did not decide to adopt earlier any other standards, interpretations or amendments that were issued but are not yet effective for periods commencing on 1 January 2023.

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

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

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 liabilities for sale and leaseback transactions, where the criteria of IFRS 15 are met and the transaction should be accounted for as a sale.

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

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 financing 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 changes do not affect recognition and measurement principles, only 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 consolidated 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 consolidated 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 consolidated 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.

It is not expected that the above Amendments, other than the application of the changes arising from IAS 1, will have a significant impact on the Group’s financial statements.

8.1. Implementation of new standards

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

9. Major accounting policies

9.1. Principles of consolidation

These Consolidated Financial Statements cover financial statements of Arctic Paper S.A. and its subsidiaries for the year ended on 31 December 2023. The financial statements of subsidiary entities, subject to adjustments to achieve compliance with EU IFRS, are made for the same reporting period as the financial statements of the parent entity relying on consistent accounting principles, applied to similar transactions and economic events. In order to eliminate any discrepancies in the applied accounting standards, adjustments are made. All material balances and transactions among Group entities, including unrealised profit on transactions within the Group, have been fully eliminated. Unrealised losses are eliminated unless they evidence impairment.

Subsidiaries are consolidated using the full method from the date on which the Group obtains control over them and cease to be consolidated from the date on which control ceases. Control by the Parent Entity occurs when:

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

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

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

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

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

9.2. Involvement in joint ventures

Joint ventures are contractual arrangements pursuant to which two or more parties take up economic operations that is subject to joint control. W przypadku Grupy, wspólne przedsięwzięcie dotyczy spółki Kalltorp Kraft Hb.

The Group's investments in joint ventures are recognised in the consolidated financial statements with the equity method. In accordance with the equity method, investments in joint ventures are initially recognised at cost and afterwards adjusted to reflect the Group's share in the financial result and other comprehensive income of the joint venture. If the Group's share in losses of a joint venture exceeds the value of its interest in the entity, the Group discontinues to disclose its share in further losses. Additional losses are recognised solely to the extent corresponding to legal or customary obligations assumed by the Group or payments made on behalf of the joint venture.

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

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

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

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

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

9.3. Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

The Management Board of Arctic Paper S.A. define policies and procedures for both systematic fair value measurement of investment properties, hedging instruments (SWAPs, forwards) and other derivatives to be used by the boards of directors of subsidiaries.

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

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

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

9.4. Foreign currency translation

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

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

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

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

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

Średnie kursy wymiany za poszczególne okresy obrotowe kształtowały się następująco:

	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

9.5. Tangible fixed assets

Tangible fixed assets are measured at purchase price or construction cost reduced by accumulated depreciation and all impairment allowances. The initial value of fixed assets comprises their purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost also comprises the expenses for replacement of fixed asset components when incurred, if the recognition criteria are met. Costs incurred after the date the fixed asset is placed in service, such as maintenance and repair costs, are charged to the statement of profit and loss as they are incurred.

Upon purchase, fixed assets are divided into components which represent items with a significant value that can be allocated a separate economic useful life. Overhauls also represent asset components. These expenditures are only capitalised if it is likely that they will result in an economic benefit to the Group associated with the expenditure.

Tangible fixed assets are depreciated using the straight-line method over their estimated useful lives as follows:

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

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

An item of tangible fixed assets may be removed from the statement of financial position upon disposal or when no economic benefits are expected from the continued use of such an asset. Any profit or loss arising from the derecognition of an asset from the statement of financial position (calculated as the difference between the net disposal proceeds, if any, and the carrying amount of the item) is recognised in the statement of profit and loss in the period in which the derecognition occurs. Construction in progress refers to fixed assets under construction or assembly and is stated at cost, less any impairment allowances. Assets under construction are not depreciated until completed and brought into use.

9.5.1. Right-of-use assets and leasing

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

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

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

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

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

9.6. Investment properties

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

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

Investment properties are removed from the statement of financial position when they are disposed of or when an investment property is permanently withdrawn from use when no future benefits are expected from its sale. Any profit or loss arising on derecognition of an investment property from the statement of financial position are recognised as profit or loss in the period when such derecognition occurred.

Assets are transferred to investment properties only when a change of their use takes place, confirmed with the end of use of such asset by the owner or conclusion of an operational lease contract. If an asset is used by the owner – the Group, it becomes an investment property when the Group applies the principles described in the section Tangible fixed assets (note 9.5) until the date the use of the property is changed.

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

9.7. Intangible assets and goodwill

9.7.1. Intangible assets

The Group owns the following intangible assets: customer relationships, trademarks, goodwill and software.

Acquired intangible assets (if they meet the recognition criterion for development costs) are measured on initial recognition at cost or production cost, respectively. The cost of intangible assets acquired in a business combination is equal to their fair value as at the date of combination. After initial recognition, intangible assets (except goodwill and trademarks) are carried at cost less accumulated amortisation and impairment allowances.

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

Intangible assets with indefinite useful lives include goodwill and trademarks. Intangible assets with indefinite useful lives are reviewed annually for possible impairment, either on an asset-by-asset basis or at the cash-generating unit level.

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

The policies applied to the Group's intangible assets are summarised as follows:

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

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

Profit or loss arising from the removal of intangible assets from the statement of financial position is measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is removed from the statement of financial position.

9.7.2. Goodwill

The Group has goodwill arising from the acquisition of the Rottneros Group. Goodwill resulting from acquisition of an entity is initially recognised at the purchase prices being the amount of surplus:

- of the sum of:
 - › payment transferred,
 - › amount of all non-controlling interests in the acquired entity, and
- over the fair value determined as at the acquisition date of the acquired identifiable acquired assets and liabilities.

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

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

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

Impairment allowances are determined on the basis of an estimated value of each cash generating centre to which the goodwill was allocated. When the recoverable value of a cash generating centre is lower than its carrying amount, an impairment allowance is recognised.

9.7.3. Emission rights

The Group owns a heat and power plant and as a result holds rights to emissions generated in its operations. The Group discloses its rights to emit greenhouse gases in a net amount. This means that rights acquired free of charge are recognised in the statement of financial position at their purchase price of "zero", and a provision relating to the obligation to redeem an appropriate number of rights is created at the time of the occurrence of a deficit in the rights held and is charged to the costs of heat generation and electricity generation, in proportion to the consumption of gas for each activity. When emission rights to greenhouse gases are acquired to cover a future deficit, at acquisition the rights are recognised as intangible assets. When a surplus of greenhouse gas emission rights is generated in excess of their expected consumption, the Company recognises the result from the sale of these rights within other operating activities when the sale transaction physically takes place. The provision for a deficit of emission rights is measured at the value of the acquired intangible assets. The provision is recognised in the amount relying on the annual limit of emission rights.

9.7.4. Certyfikaty w kogeneracji

Grupa, jako jednostka produkująca energię elektryczną w kogeneracji otrzymuje świadectwa pochodzenia, („certyfikaty”). Przychody z tytułu certyfikatów rozpoznawane są, jako pomniejszenie kosztów w momencie produkcji i wyceniane po aktualnie obowiązującej na rynku cenie, pod warunkiem, że rynek ww. certyfikatów jest aktywny. W przeciwnym wypadku przychody rozpoznawane są w momencie sprzedaży certyfikatów. Prawa materialne wynikające z wyceny ujmowane są w aktywach niematerialnych. Dane szczegółowe dotyczące otrzymanych w bieżącym roku certyfikatów zostały przedstawione zostały w nocie nr 38.

9.8. Impairment of non-financial fixed assets

An assessment is made by the Group as at each balance sheet date to determine whether there is any indication that a component of non-financial fixed assets may be impaired. If such indications are identified, or if an annual impairment test is required, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of a cash-generating unit is the higher of the cash-generating unit's fair value or its value in use. 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. If the carrying amount of a cash-generating unit is greater than its recoverable amount, an impairment allowance has occurred and an allowance to the determined recoverable amount is then made. 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.

At each balance sheet date, the Group assesses whether there are indications that an impairment allowance recognised in prior periods in respect of a cash-generating unit is unnecessary or should be reduced. If such indications exist, the Group estimates its recoverable amount. A previously recognised impairment allowance is reversed if, and only if, there has been a change in the estimates used to determine the recoverable amount of the cash-generating unit since the last impairment allowance was recognised. In this case, its carrying amount is increased to its recoverable amount. The increased amount must not exceed the carrying amount that would have been determined (net of amortisation and depreciation) had no impairment allowance been recognised for that cash-generating unit in prior years. A reversal of an impairment allowance for a cash-generating unit is recognised immediately as income. Once an impairment allowance has been reversed, the depreciation charge relating to an asset is adjusted in subsequent periods so that its revised carrying amount less residual value is systematically written off over the remaining useful life of that cash-generating unit.

9.9. External borrowing costs

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

9.10. Financial assets

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

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

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

9.11. Impairment of financial assets

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

In accordance with IFRS 9, the Company measures allowances for expected credit losses in the amount equal to the 12-month expected credit losses or expected credit losses in the life of the financial instrument. In case of trade receivables, the Company applies a simplified approach and estimates allowances for anticipated credit loss equal to anticipated credit loss over the life of the receivables which does not exceed 12 months.

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

The Group applies a simplified model to recognise impairment allowances to trade receivables.

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

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

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

- Delayed instalment or interest payment of 60 days or more
- Significant deterioration in the borrower's financial situation (profitability, indebtedness, liquidity ratios)
- Commencement of formal restructuring, bankruptcy or liquidation process
- Lack of ability to obtain financial information for the entity, etc.

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

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

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

9.12. Financial derivatives and hedges

The derivatives used by the Group to hedge the risks associated with changes in interest rates and electricity prices are mainly interest rate swaps and forward energy contracts. Such financial derivatives are measured at fair value through other comprehensive income. Such derivatives are stated as assets when the value is positive and as liabilities when the value is negative.

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

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

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

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

9.12.1. Cash flow hedges

A cash flow hedge is a hedge against the risk of variability in cash flows (interest on loans and electricity prices) that is attributable to a specific risk associated with a recognised asset or liability or a highly probable forecast transaction, and which could affect 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.

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

9.13. Inventories

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

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

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

Several factors are taken into account when creating impairment allowances on inventories. The most important of these are the duration of the backlog and the assessment of the possibility of finding its use. The calculation of such an allowance also takes into account the possibility of the product being reused in the production process, in which case the allowance is reduced by this value.

9.14. Budget receivables

Budget receivables are presented within other receivables, with the exception of corporate income tax receivables (from tax offices e.g. in Sweden), which are a separate item in the statement of financial position.

9.15. Cash and cash equivalents

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

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

9.16. Interest-bearing loans

At initial recognition, all bank loans are recognised at fair value, less the costs associated with obtaining the loan.

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

In determining amortised cost, account is taken of the costs associated with obtaining the loan and the discounts or premiums received in respect of the liability.

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.

9.17. Financial liabilities

Financial liabilities are classified as measured, at amortized cost (trade and other payables for the purchase of tangible fixed assets and intangible assets, other payables, credit and lease liabilities or as hedging instruments).

The Company excludes a financial liability from its statement of financial position when the liability has expired – that is, when the obligation specified in the contract has been fulfilled, canceled or expired. Replacement of an existing debt instrument with an instrument with basically different conditions, made between the same entities, is recognised by the Company as expiry of the original financial liability and recognition of a new financial liability. When a financial liability is derecognised from the statement of financial position, the difference between the carrying amount of the extinguished liability and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the income statement.

9.18. Provisions

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

The Group calculates provisions for discounts on the basis of signed agreements with customers), In addition, the Group is obliged to cover the costs of any complaints about products sold. Such events may occur in the future and therefore the Group makes a professional judgement based on historical data to determine the value of this allowance.

Provisions for wages and salaries and unused leave are calculated based on the best knowledge of its future realisation.

9.19. Offsetting financial assets and liabilities

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

9.20. Severance payments

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

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

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

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

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

9.21. Revenue from contracts with customers and other income

9.21.1. Revenues from contracts with customers

Revenue from the sale of products (paper and pulp) is recognised if control of the commodity or product has been transferred to another entity.

Pursuant to IFRS 15, the Group applies a five-step model to recognise revenues from contracts with customers.

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

9.21.2. Interest

Interest income is recognised as interest accrues (using the effective interest rate method that is the rate that discounts the estimated future cash receipts over the anticipated life of the financial instrument) to the net carrying amount of the financial asset.

9.21.3. Grants

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

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

9.22. Taxes

9.22.1. Current tax

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

9.22.2. Deferred 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.

A deferred tax liability is recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of an amount and, at the time of recognition, has no effect on either pre-tax profit or loss, taxable profit or tax loss, and

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:

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

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

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

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

9.22.3. Value added tax

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

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

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

9.22.4. Excise tax

The amount of excise tax payable in respect of the electricity produced is recognised in the statement of profit and loss in the same period as revenue from energy sales and in the statement of financial position under liabilities.

Excise tax on energy used for own consumption is recognised as costs of sales in the statement of profit and loss.

9.23. Net earnings per share

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

10. Operating segments

Operating segments include continuing operations. The Group's principal activity is the production of paper and pulp.

The paper production business is presented as the "Paper" segment and includes the financial results of, among others, three paper mills:

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

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

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

The Group identifies the following business segments:

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

Exclusions include the exclusion of turnover and inter-segment settlements (transactions relating to Kostrzyn Packaging including fixed assets under construction and sales with the Rottneros Group) and the results of operations of Arctic Paper S.A. (primarily the provision of services between companies)

The division of the business segments into paper and pulp is dictated by the following considerations:

- Demand for products and their supply as well as the prices of products sold in the market are affected by operational factors characteristic for each segment, such as e.g. the production capacity level in the specific paper and pulp segment,
- The key operating parameters such as inflow of orders or the level of production costs are determined by the factors that are similar for each paper and pulp segment,
- The results of the Arctic Paper Group are under the pressure of global market trends with respect to the prices of paper and pulp, and to a lesser extent are subject to the specific conditions of the production entities.

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

The operating results are measured primarily on the basis of EBITDA calculated by adding depreciation/amortisation and impairment allowances to tangible fixed assets and intangible assets to operating profit/(loss), in each case in compliance with

EU IFRS. In accordance with EU IFRS, EBITDA is not a metric of operating profit/(loss), operational results or liquidity. EBITDA is the measure that the Parent Entity's Management Board uses to manage the business.

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

The table below presents data concerning revenues and profit as well as certain assets and liabilities under continuing operations, split by segments of the Group for the period of 12 months ended on 31 December 2023 and as at 31 December 2023.

Twelve-month period ended on 31 December 2023 and as at 31 December 2023

	Paper	Pulp	Total	Exclusions	Total continuing operations
Revenues					
Sales to external customers	2 460 441	1 088 712	3 549 153	-	3 549 153
Sales between segments	-	2 794	2 794	(2 794)	-
Total segment revenues	2 460 441	1 091 506	3 551 947	(2 794)	3 549 153
Result of the segment					
Adjusted EBITDA	380 946	104 198	485 144	(9 839)	475 304
Depreciation/amortisation	(83 255)	(34 665)	(117 920)	(317)	(118 237)
Operating profit/(loss)	297 691	69 533	367 224	(10 156)	357 068
Interest income	7 366	5 547	12 912	(2 581)	10 331
Interest expense	(4 342)	(3 566)	(7 908)	1 624	(6 284)
FX gains and other financial income	3 446	3 962	7 408	(2 670)	4 738
FX losses and other financial expenses	(19 951)	(4 754)	(24 705)	(231)	(24 936)
Gross profit	284 209	70 722	354 931	(14 014)	340 917
Assets of the segment	1 762 824	1 057 151	2 819 975	(105 172)	2 714 803
Liabilities of the segment	670 887	279 817	950 704	(150 542)	800 162
Capital expenditures	(123 971)	(80 166)	(204 136)	3 964	(200 172)
Interest in joint ventures	4 891	-	4 891	-	4 891

- Revenues from inter-segment transactions are eliminated on consolidation.
- The segment result does not include financial income (PLN 15,069 thousand, of which PLN 10,331 thousand is interest income and PLN 4,738 thousand is FX differences) and financial expenses (PLN 31,220 thousand, of which PLN 6,284 thousand is interest expense and PLN 24,936 thousand is FX differences), depreciation/amortisation (PLN 118,237 thousand), as well as income tax liabilities (PLN 68,528 thousand).
- Segment assets do not include deferred tax (PLN 3,183 thousand), as this item is managed at Group level and interests in joint ventures (PLN 4,891 thousand). Segment liabilities do not include deferred tax (PLN 121,208 thousand), as this item is managed at Group level.

The following table sets out revenue and profit figures and certain assets and liabilities from continuing operations by Group segment for the 12 months ended 31 December 2022 and as at 31 December 2022 [the note has been modified from the 2022 version due to a change in segment presentation].

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

	Paper	Pulp	Total	Exclusions	Total continuing operations
Revenues					
Sales to external customers	3 582 179	1 314 473	4 894 276	-	4 894 276
Sales between segments	-	-	-	-	-
Total segment revenues	3 582 179	1 314 473	4 896 653	(2 377)	4 894 276
Result of the segment					
Adjusted EBITDA	697 052	288 478	985 530	(11 557)	973 973
Depreciation/amortisation	(79 821)	(50 945)	(130 766)	(228)	(130 994)
Operating profit/(loss)	617 231	237 534	854 764	(11 785)	842 979
Interest income	1691	1 764	3 455	(588)	2 867
Interest expense	(4 709)	(2 205)	(6 914)	269	(6 646)
FX gains and other financial income	3 117	89 102	92 218	(2 318)	89 900
FX losses and other financial expenses	(210)	-	(210)	(1 313)	(1 523)
Gross profit/(loss)	617 119	326 194	943 314	(15 736)	927 578
Assets of the segment	1 859 228	1 414 303	3 273 531	(28 505)	3 245 026
Liabilities of the segment	804 515	348 415	1 152 930	(128 378)	1 024 552
Capital expenditures	(99 930)	(54 815)	(154 745)	(134)	(154 879)
Interest in joint ventures	4 264	-	4 264	-	4 264

- Revenues from inter-segment transactions are eliminated on consolidation.
- Segment results do not include financial income (PLN 92,476 thousand of which PLN 2,867 thousand is interest income) and financial expenses (PLN 8,169 thousand of which PLN 6,646 thousand is interest expense), depreciation/amortisation (PLN 130,994 thousand) as well as income tax cost (PLN 170,756 thousand).
- Segment assets do not include deferred tax (PLN 5,196 thousand), as this item is managed at Group level and interests in joint ventures (PLN 4,264 thousand). Segment liabilities do not include deferred tax (PLN 177,750 thousand), as this item is managed at Group level.

10.1. Revenue from contracts with customers

The table below presents the Group's revenues from sales of paper and pulp to external customers in each segment, split by countries and regions, in 2023 and 2022:

Geographical information
Year ended on 31 December 2023

Revenues from sales of paper and pulp from external customers by segment:	Paper	Pulp	Total
Germany	540 316	146 591	686 907
France	217 531	7 924	225 455
UK	287 745	23 771	311 517
Scandinavia	242 716	297 519	540 235
Western Europe (other countries)	319 787	176 701	496 488
Poland	414 438	792	415 230
Central and Eastern Europe (other than Poland)	404 880	57 844	462 723
Outside Europe	33 027	377 570	410 597
Total segment revenues	2 460 441	1 088 712	3 549 153

Geographical information
Year ended on 31 December 2022

Revenues from sales of paper and pulp from external customers by segment:	Paper	Pulp	Total
Germany	722 082	199 682	921 764
France	333 612	15 303	348 915
UK	381 950	24 814	406 764
Scandinavia	293 545	370 515	664 060
Western Europe (other countries)	526 400	277 687	804 087
Poland	595 087	2 717	597 804
Central and Eastern Europe (other than Poland)	657 937	37 495	695 432
Outside Europe	69 190	386 261	455 451
Total segment revenues	3 579 803	1 314 473	4 894 276

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

10.2. Fixed assets by country and region

The table below presents the Group's fixed assets reduced by deferred income tax asset split by country and region, as at 31 December 2023 and 31 December 2022:

Geographical information	As at 31 December 2023	As at 31 December 2022
Fixed assets:		
Germany	2 521	3 295
France	223	405
Scandinavia	818 430	930 972
Western Europe (other countries)	419	344
Poland	467 398	431 512
Central and Eastern Europe (other than Poland)	86	144
Total fixed assets	1 289 078	1 366 671

The decrease in the Group's fixed assets is primarily due to lower capital expenditure on tangible fixed assets made at the Swedish Paper and Pulp Mills during 2023 and a decrease in other financial assets comprising a positive valuation of derivatives, mainly power forwards.

11. Income and costs

11.1. Other operating income

	Year ended on 31 December 2023	Year ended on 31 December 2022
Reversal of provisions	-	3
Damages received	1 819	33
Rental income	3 509	2 613
Sales of services	6 031	1 342
Grants	6 376	163
Sale of utilities	66 630	37 502
Sale of materials	1 482	10 703
Profit on disposal of tangible fixed assets	1 206	173
Profit on sale of CO2 emission rights	8 777	17 629
Compensation of R&D projects from the National Centre for Research and Development	24	8 590
CO2 compensation	31 263	-
Other	6 700	7 027
Total	129 397	85 778

11.2. Other operating costs

	Year ended on 31 December 2023	Year ended on 31 December 2022
Real estate tax	(887)	(803)
Costs of sales of utilities	(45 692)	(31 162)
Costs of sales of materials	(80)	(10 093)
Reorganisation costs in subsidiary entity	39	(288)
Loss on disposal/liquidation of tangible fixed assets	(517)	(3 868)
Decreasing the value of property investments	-	(1 215)
Costs of research projects from the National Centre for Research and Development	-	(16 708)
Humanitarian aid for Ukraine	-	(581)
Other	(5 826)	(4 875)
Total	(52 963)	(69 593)

11.3. Financial income

	Year ended on 31 December 2023	Year ended on 31 December 2022
Interest income on funds in bank accounts	8 518	2 781
Interest income on loans granted	-	-
Interest income on receivables	206	44
Other interest income	1 607	42
FX gains	-	16 650
Profit on interests in joint ventures	776	459
Other financial income	396	9
Gain on forward contracts not meeting hedge accounting rules measured at fair value through profit or loss	3 566	45 433
Profit on other forward contracts	-	27 348
Total	15 069	92 767

11.4. Financial expenses

	Year ended on 31 December 2023	Year ended on 31 December 2022
Interest on bank loans measured at amortised cost	(979)	(3 735)
Interest on other financial liabilities	(4 423)	(2 243)
Interest on actuarial provisions	(1 172)	(508)
Finance expenses from leasing contracts	(529)	(634)
Bank charges	(859)	(401)
FX losses	(21 844)	-
Measurement effect of the adjusted purchase price	(816)	(601)
Ineffective remeasurement to fair value of derivatives	(396)	-
Other financial expenses	(203)	(46)
Total	(31 220)	(8 169)

11.5. Costs by type

	Year ended on 31 December 2023	Year ended on 31 December 2022
Depreciation/amortisation	(118 237)	(130 994)
Consumption of materials and energy		(2 839 460)
Third party services	(492 631)	(616 137)
Taxes and charges	(10 437)	(15 818)
Employee benefit costs		(502 861)
Other prime costs		(96 864)
Value of goods sold		(11 432)
Prime costs		(4 213 566)
Changes in product inventories		145 336
Change to impairment allowances to receivables		748
TOTAL	(3 268 519)	(4 067 482)
of which:		
Items recognised as costs of sales:		(3 483 519)
Items recognised as selling and distribution costs:		(445 197)
Items recognised as administrative expenses		(138 766)

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

	Year ended on 31 December 2023	Year ended on 31 December 2022
Items recognised as costs of sales:		
Depreciation of fixed assets and intangible assets	(113 009)	(125 687)
Impairment of tangible fixed assets (reversal)	-	-
Impairment of intangible assets (reversal)	-	-
Items recognised as costs of sales:		
Depreciation of fixed assets and intangible assets	(2 399)	(3 094)
Impairment of tangible fixed assets	-	-
Impairment of intangible assets	-	-
Items recognised as administrative expenses:		
Depreciation of fixed assets and intangible assets	(2 829)	(2 212)
Impairment of tangible fixed assets	-	-
Impairment of intangible assets	-	-

11.7. Employee benefit costs

	Note	Year ended on 31 December 2023	Year ended on 31 December 2022
Salary costs		(353 016)	(414 079)
Social insurance premiums		(92 323)	(86 494)
Costs of retirement benefits	27.2	(640)	(351)
Total costs of employee benefits, of which:		(445 979)	(500 925)
Items recognised as costs of sales:		(334 920)	(363 740)
Items recognised as selling and distribution costs:		(46 619)	(57 532)
Items recognised as administrative expenses		(64 721)	(81 588)
Items recognised as other comprehensive income		281	1 935

12. Items of other comprehensive income

The components of other total comprehensive income for the year ended on 31 December 2023 and 31 December 2022 that are re-classified to profit or loss, are as follows:

	Year ended on 31 December 2023	Year ended on 31 December 2022
Cash flow hedges		
Profit/(loss) for the period resulting from contracts settled during the reporting period	(20 990)	(326 740)
Profit/(loss) for the period resulting from contracts not settled as the reporting date	(224 619)	466 958
Adjustments resulting from re-classification to profit/(loss)	-	72 782
Total other comprehensive income	(245 609)	212 999

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

Cash flow hedges are described in detail in note 35 to this report.

13. Income tax

13.1. Tax burden

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

	Rok zakończony 31 grudnia 2023	Rok zakończony 31 grudnia 2022
Skonsolidowany rachunek zysków i strat		
<u>Consolidated profit and loss account</u>		
Current income tax	(62 563)	(126 695)
Current income tax liability	1 318	(515)
<u>Deferred income tax</u>		
Resulting from the establishment and reversal of temporary differences	(7 285)	(43 545)
Tax credit/(liability) disclosed in the consolidated income statement	(68 529)	(170 756)
Consolidated statement of changes in equity		
<u>Current income tax</u>	-	-
<u>Tax effects of the costs of increase of share capital</u>	-	-
Tax benefit (tax liability) recognised in equity	-	-
Consolidated statement of total comprehensive income		
<u>Deferred income tax</u>		

Deferred income tax on the measurement of hedging instruments	50 399	(43 941)
Deferred income tax on actuarial profit/loss	(174)	438
Tax benefit (tax liability) recognised in other comprehensive income	50 225	(43 504)

13.2. Recognition of effective tax rate

A reconciliation of income tax expense applicable to gross profit/(loss) before income tax at the statutory income tax rate, to income tax expense at the Group's effective income tax rate for the year ended on 31 December 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	340 917	927 578
Tax at the statutory rate prevailing in Poland in 2008-2023, of 19%	(64 774)	(176 240)
Tax adjustments from previous years, recognised in the current income tax	1 318	(515)
Difference resulting from income tax rates in force in other countries	(4 360)	(10 008)
Tax loss not incorporated in deferred income tax assets calculation	(45)	-
Use of tax expenses on which no deferred tax has been recognised	-	9 251
Non-taxable revenues	606	3 164
Costs that are not tax deductible	(3 378)	(3 599)
Effects of the tax group in Sweden	-	4 335
Effects of the tax group in Poland	2 058	2 856
Tax at the effective tax rate of 20% (2022: 18%)	(68 528)	(170 755)
Income tax (charge) stated in the consolidated income statement	(68 528)	(170 755)

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

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

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

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

	2023	Expiry date	2023	Expiry date
Expiring tax losses	20 829	2024-2028	34 076	2023-2027
Tax losses and temporary differences without time limit	-		-	
TOTAL	20 829		34 076	

The potential tax effect of non-activated tax losses and temporary differences amounts to PLN 3,958 thousand and relates to tax losses at Arctic Paper S.A. incurred prior to the establishment of the tax group in Poland.

13.3. Deferred income tax

Deferred income tax relates to the following items:

Net deferred income tax asset/provision of which:	31 December 2023	31 December 2022
– Adjustment to presentation	(11 766)	(15 884)
– Deferred income tax asset	3 183	5 196
Deferred income tax liability	121 208	177 750

	Consolidated balance sheet as at		Consolidated profit and loss account for the year ended	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Deferred income tax liability				
Fixed assets	122 996	115 360	(7 635)	(15 151)
Hedging instruments	9 979	78 273	68 295	(56 526)
			-	-
Gross deferred income tax provision	132 975	193 634	60 659	(71 677)

	Consolidated balance sheet as at		Consolidated profit and loss account for the year ended	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Deferred income tax asset				
Post-employment payments	8 539	2 516	6 023	(2 927)
Uninvoiced liabilities	3 566	10 637	(7 071)	2 673
Inventories	1 322	899	423	(588)
Trade receivables	1 523	7 028	(5 505)	2 763
Losses deductible from future taxable income	-	-	-	(10 469)
Gross deferred income tax asset	14 949	21 079	(6 130)	(8 548)
FX differences			(11 589)	(6 824)
Total, of which			42 941	(87 049)
Changes to deferred income tax recognised in other comprehensive income			50 225	(43 504)
Changes to deferred income tax recognised in profit and loss account			(7 285)	(43 545)

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

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

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

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

14. Earnings per share

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

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

	Year ended on 31 December 2023	Year ended on 31 December 2022
Net profit/(loss) attributable to the shareholders of the Parent Entity	247 132	631 001
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
Diluted weighted average number of ordinary shares	69 287 783	69 287 783
Profit/(loss) per share (in PLN)		
– basic earnings from the profit/(loss) for the period attributable to the shareholders of the Parent Entity	3,57	9,11
Diluted profit/(loss) per share (in PLN)		
– from the profit/(loss) for the period attributable to the shareholders of the Parent Entity	3,57	9,11

There were no transactions in ordinary shares between the balance sheet date and the date of these consolidated financial statement.

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.

At the date of this report, the Parent Entity did not hold any preference shares.

The Parent Entity's ability to pay potential dividends to shareholders is dependent on the level of distributions 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.

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

On 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.

Dividend payment restrictions are described in note 25.5.

On 15 February 2024, the Management Board of the Parent Entity, taking into account the preliminary financial results of the Parent Entity 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.

The table below provides a summary of dividend amounts in 2024:

Type of dividend	amount
Dividends recognised as distributions to owners per share (PLN)	0,00
Dividends proposed or enacted up to the date the financial statements were authorised for issue but not recognised as distributed to share holders (in PLN '000). PLN)	69 288
Dividends proposed or enacted by the date the financial statements were authorised for issue but not recognised as distributed to holders of shares, per share (PLN)	1,00

16. Tangible fixed assets

Tangible fixed assets include tangible fixed assets excluding right-of-use assets and right-of-use assets.

	Table	As at 31 December 2023	As at 31 December 2022
Tangible fixed assets	16.1	1 137 780	1 095 320
Right-of-use assets	16.2	28 391	29 684
TOTAL		1 166 171	1 125 004

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

	Land and buildings	Plant and machinery	Fixed assets under construction	Total
Net carrying amount as at 1 January 2022	267 632	757 262	90 532	1 115 425
Increase due to purchase	12 729	52 944	79 100	144 773
Increase due to transfer of tangible fixed assets under construction	7 940	70 309	(78 248)	-
Decreases due to disposal	-	(165)	-	(165)
Decreases due to liquidation	-	(432)	-	(432)
Depreciation allowance for the period	(17 493)	(96 689)	-	(114 183)
Impairment	-	(4 411)	-	(4 411)
Change to presentation within groups	-	(241)	-	(241)
FX differences on translation	(10 989)	(29 866)	(4 591)	(45 446)
Transfer to right-of-use assets	-	-	-	-
Net carrying amount as at 31 December 2022	259 818	748 709	86 793	1 095 320
Net carrying amount as at 1 January 2023	259 818	748 709	86 793	1 095 320
Increase due to purchase	18 037	60 773	124 362	203 172
Increase due to transfer of tangible fixed assets under construction	396	53 020	(53 416)	-
Decreases due to disposal	-	(2 101)	-	(2 101)
Decreases due to liquidation	-	(10)	-	(10)
Depreciation allowance for the period	(18 697)	(89 838)	-	(108 535)
FX differences on translation	(11 428)	(33 441)	(5 198)	(50 067)
Net carrying amount as at 31 December 2023	248 126	737 113	152 541	1 137 780
Balance as at 1 January 2022				
Gross carrying amount	583 677	2 181 612	90 532	2 855 821
Depreciation/amortisation and impairment allowances	(316 045)	(1 424 351)	-	(1 740 396)
Net carrying amount	267 632	757 262	90 532	1 115 425
Balance as at 31 December 2022				
Gross carrying amount	580 482	2 146 173	86 793	2 813 448
Depreciation/amortisation and impairment allowances	(320 664)	(1 397 463)	-	(1 718 128)
Net carrying amount	259 818	748 709	86 793	1 095 320
Balance as at 1 January 2023				
Gross carrying amount	580 482	2 146 173	86 793	2 813 448
Depreciation/amortisation and impairment allowances	(320 664)	(1 397 463)	-	(1 718 128)
Net carrying amount	259 818	748 709	86 793	1 095 320
Balance as at 31 December 2023				
Gross carrying amount	570 812	2 160 025	152 541	2 883 378
Depreciation/amortisation and impairment allowances	(322 687)	(1 422 911)	-	(1 745 598)
Net carrying amount	248 126	737 113	152 541	1 137 780

As at 31 December 2023, an impairment test of the assets of Arctic Paper Grucksbo and the Rottneros Group was carried out, the results of the test are described in note 21 of the later report. Impairment of tangible fixed assets for the year ended on 31 December 2023 was PLN 0 thousand (in the year ended on 31 December 2022: PLN -4.411 thousand).

Tangible fixed assets excluding rights-of-use assets with a carrying amount of PLN 731,515 thousand (as at 31 December 2022: PLN 718,891 thousand) are subject to mortgage to secure the bank loans (note 26.2).

The amount of capitalised external funding costs and FX gains/losses in the year ended on 31 December 2023 was PLN 72 thousand (in the year ended on 31 December 2022: PLN 0 thousand).

The value of depreciation for 2023 for additions to tangible fixed assets made during 2023 amounted to PLN 1,651 thousand and related mainly to machinery and equipment (2022: PLN 5.936 thousand).

16.2. Right-to-use assets

Right-of-use assets with a carrying amount of PLN 4,255 thousand as at 31 December 2023 (PLN 7,399 thousand as at 31 December 2022) are covered by mortgages/pledges established to secure lease liabilities.

	Land and buildings	Plant and machinery	Total
Net carrying amount as at 1 January 2022	27 532	9 618	37 150
Increases due to the extension or conclusion of new contracts	12 274	1 702	13 976
Reductions due to termination of contracts	(437)	-	(437)
Decreases due to liquidation	-	-	-
Depreciation allowance for the period	(6 685)	(3 714)	(10 399)
FX differences on translation	(228)	(208)	(436)
Net carrying amount as at 31 December 2022	32 455	7 399	39 854
Net carrying amount as at 1 January 2023	32 455	7 399	39 854
Increases due to the extension or conclusion of new contracts	4 654	4 174	8 829
Reductions due to termination of contracts	-	(3 797)	(3 797)
Decreases due to liquidation	(3 823)	(79)	(3 902)
Depreciation allowance for the period	(7 213)	(3 094)	(10 307)
FX differences on translation	(646)	(348)	(994)
Net carrying amount as at 31 December 2023	25 429	4 255	29 684
Balance as at 1 January 2022			
Gross carrying amount	40 584	16 887	57 471
Depreciation/amortisation and impairment allowances	(13 052)	(7 269)	(20 321)
Net carrying amount	27 532	9 618	37 150
Balance as at 1 January 2022			
Gross carrying amount	52 436	16 360	68 795
Depreciation/amortisation and impairment allowances	(19 980)	(8 961)	(28 941)
Net carrying amount	32 455	7 399	39 854
Balance as at 1 January 2022			
Gross carrying amount	52 436	16 360	68 795
Depreciation/amortisation and impairment allowances	(19 980)	(8 961)	(28 941)
Net carrying amount	32 455	7 399	39 854

17. Leases

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

As at 31 December 2023 and 31 December 2022 the future minimum lease fees and the present value of minimum net lease fees were as follows:

	As at 31 December 2023		As at 31 December 2022	
	Minimum fees	Present value of the fees	Minimum fees	Present value of the fees
In 1 year	5 103	4 720	8 537	7 881
In 1 to 5 years	14 536	13 032	14 316	11 254
Over 5 years	49 626	10 990	46 137	11 061
Total minimum lease fees	69 265	28 743	68 989	30 197
Minus financial expenses	(40 511)		(38 792)	
Value of present minimum lease fees, of which:	28 754	28 743	30 197	30 197
- short-term		4 720		7 881
- long-term		24 022		22 315

The Group applies leasing simplifications for leases of low value and a term of 12 months or less. In 2023, the value of the costs incurred for low-value assets amounted to PLN 42 thousand (2022: PLN 26 thousand). In 2023 and 2022, the Group did not enter into leases of 12 months or less.

18. Investment property

	Year ended on 31 December 2023	Year ended on 31 December 2022
Opening balance as at 1 January	1 763	2 978
Increases (subsequent expenditures)	-	-
Sale of properties	-	-
Profit/(loss) on fair value measurement	(12)	(1 215)
Closing balance as at 31 December	1 751	1 763

Investment properties include undeveloped plots of land in Warsaw.

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

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

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

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

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

The current costs incurred in 2023 included real estate tax of PLN 11 thousand (2022: PLN 11 thousand).

19. Intangible assets and goodwill

	Goodwill	Relations with customers	Trademarks	Co-generation certificates and CO2 emission rights	Other*	Total
Net value as at 1 January 2023	8 847	-	39 808	23 563	527	72 746
Increases	-	-	-	15 984	116	16 100
Decreases	-	-	-	(18 617)	-	(18 617)
Depreciation for the period	-	-	-	-	(204)	(204)
Impairment (reversal)	-	-	-	-	-	-
FX differences on translation	(617)	-	(2 686)	(28)	(0)	(3 332)
Net value as at 31 December 2023	8 230	-	37 122	20 902	439	66 694

As at 1 January 2023

Gross value	8 847	35 115	84 136	23 563	40 576	192 237
Depreciation/amortisation and impairment allowances	-	(35 115)	(44 327)	-	(40 049)	(119 491)

Net value	8 847	-	39 808	23 563	527	72 746
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As at 31 December 2023

Gross value	8 230	35 115	78 356	20 902	39 611	182 214
Depreciation/amortisation and impairment allowances	-	(35 115)	(41 234)	-	(39 172)	(115 521)

Net value	8 230	-	37 122	20 902	439	66 694
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* the item other contains computer software

	Goodwill	Relations with customers	Trademarks	Co-generation certificates and CO2 emission rights	Other*	Total
Net value as at 1 January 2022	9 421	-	42 302	11 752	2 613	66 088
Increases	-	-	-	21 782	127	21 910
Decreases	-	-	-	(10 038)	-	(10 038)
Depreciation for the period	-	-	-	-	(2 093)	(2 093)
Impairment (reversal)	-	-	-	-	-	-
FX differences on translation	(573)	-	(2 494)	67	(120)	(3 120)
Net value as at 31 December 2022	8 847	-	39 808	23 563	527	72 746

As at 1 January 2022

Gross value	9 421	35 115	89 502	11 752	41 739	187 528
Depreciation/amortisation and impairment allowances	-	(35 115)	(47 200)	-	(39 126)	(121 440)

Net value	9 421	-	42 302	11 752	2 613	66 088
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As at 31 December 2022

Gross value	8 847	35 115	84 136	23 563	40 576	192 237
Depreciation/amortisation and impairment allowances	-	(35 115)	(44 327)	-	(40 049)	(119 491)

Net value	8 847	-	39 808	23 563	527	72 746
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* – The item Other contains mainly computer software.

As at 31 December 2023, an impairment test of the assets of Arctic Paper Grucksbo and the Rottneros Group was carried out, the results of the test are described in note 21 of the later report.

At 31 December 2023 and 31 December 2022, trademarks include Arctic Paper's trademarks (net value at 31 December 2023 and 31 December 2022: PLN 1,319 thousand), AP Grycksbo (net value at 31 December 2023: PLN 7,294 thousand, net value at 31 December 2022: PLN 7,841 thousand) and Rottneros (net worth at 31 December 2023: PLN 28,509 thousand and 31 December 2022: PLN 30,648 thousand). The Arctic Paper and Rottneros trademarks are not impaired. The trademark in AP Grycksbo as at 31 December 2023 is subject to an impairment allowance of PL 41,230 thousand (as at 31 December 2022: PLN 44,327 thousand).

Impairment of intangible assets recognised in the year ended 31 December 2023 amounted to PLN 0 thousand (recognised in the year ended 31 December 2022: PLN 0 thousand).

Intangible assets with a carrying amount of PLN 29,942 thousand (as at 31 December 2022: PLN 33,250 thousand) are used as collateral for bank loans (Note 26.2).

20. Other assets

20.1. Other financial assets

	Note	As at 31 December 2023	As at 31 December 2022
Hedging instruments	35.3.1	46 629	309 406
Derivative instruments measured at fair value through profit and loss		7 838	72 781
Investments in equity instruments		14 500	3 370
Receivable from realised forward contracts		11 008	37 641
Receivables from pension fund		21 236	22 829
Total		101 211	446 027
– short-term		51 798	283 411
– long-term		49 414	162 617

20.2. Other non-financial assets

	As at 31 December 2023	As at 31 December 2022
Insurance costs	531	573
Lease fees	476	131
Advance payments for services	13 177	8 488
Rent	479	1 521
Other	2 665	1 612
Total	17 328	12 325
– short-term	17 170	12 048
– long-term	158	277

20.3. Interests in joint ventures

Interests in joint ventures include shares in the Kalltorp Kraft Hb hydroelectric power plant. The purpose of acquiring the shares was to implement the strategy of increasing its own energy capacity.

21. Impairment tests on fixed and intangible assets

21.1. Rottneros Group

As at 31 December 2023 and 31 December 2022, the Rottneros Group performed impairment tests for goodwill using the discounted cash flow method. Tests showed no need to write down goodwill at this date.

The carrying amount of the Rottneros Group's fixed assets and intangible assets adopted for consolidation of the Arctic Paper Group in these consolidated financial statements is measured at comparable amounts to those presented in the Rottneros Group's consolidated financial statements. For this reason, the impairment analysis of the assets allocated to the Rottneros Group cash generating unit was based on the impairment analysis prepared by the Rottneros Group. The unit is allocated goodwill and a trademark with an indefinite useful life.

An impairment test of the Rottneros Group's cash flow generating unit was carried out as at 31 December 2023.

The cash-generating unit is classified in the pulp segment. The recoverable amount of the facility has been determined based on value in use using the discounted cash flow method. A discount rate (WACC) of 10% and a forecast period from 2023 to a maximum of 2028 were used to calculate the value in use of the net assets attributable to the cash-generating unit. The projected flows included a residual period of more than 5 years due to the Group's strategy of operating the centre indefinitely. As at 31 December 2023, the total net assets tested for impairment amounted to PLN 678,450 thousand (including goodwill of PLN 8,229 thousand and trademark of PLN 28,509 thousand). As at 31 December 2022, the total net assets tested for impairment amounted to PLN 629,843 thousand (including goodwill of PLN 8,847 thousand and trademark of PLN 30,648 thousand). The residual value of the cash-generating unit as at 31 December 2023 was defined as its value in use amounting for PLN 830,853 thousand.

The recoverable amount of the net assets allocated to the cash-generating units was higher than the carrying amount of these assets and therefore the test did not indicate an impairment of the Rottneros Group's tangible fixed assets and intangible assets (including trademark and goodwill) recognised in these consolidated financial statements as at 31 December 2023 and 31 December 2022.

Key assumptions

Main assumptions	2023	2022
Approved projections based on	2024-2028	2023-2027
Weighted average cost of capital (WACC)	10,0%	11,5%
Growth rate in the residual period	0,0%	0,0%

Impact on the value of assets in use			
Parameter	Change of the parameter by	2023	2022
Weighted average cost of capital (WACC)	+0,1 p.p.	No data	No data
Growth rate in the residual period	+0,1 p.p.	No data	No data
Weighted average cost of capital (WACC)	-0,1 p.p.	No data	No data
Growth rate in the residual period	-0,1 p.p.	No data	No data

21.2. Arctic Paper Grycksbo

As at 31 December 2023 and 31 December 2022 earlier impairment tests were conducted at Arctic Paper Grycksbo with reference to tangible fixed assets and intangible assets.

The carrying amount of the cash-generating unit as at 31 December 2023 was determined to be PLN 147,872 thousand. It comprised the following components: tangible fixed assets, intangible assets, net working capital, cash and cash equivalents decreased by previously recognized cumulative impairment for Arctic Paper Grycksbo.

The total cumulative impairment allowance for Arctic Paper Grycksbo as at 31 December 2023 amounted to PLN 248,521 thousand (31 December 2022: PLN 267,164 thousand). The difference in the impairment allowance was due to the measurement of the impairment allowance from previous years denominated in SEK to the presentation currency – PLN.

The recoverable amount of the cash-generating unit as at 31 December 2023 was determined as its value in use and amounted to PLN 146,371 thousand. The test did not result in a change in the impairment allowance as at 31 December 2023. The difference between the use value and the carrying value was calculated and amounted for PLN 1,501 thousand, which was not reflected in the statement of financial position and profit and loss account.

Due to the recognition of the impairment in previous periods, the management board will monitor the issue of potential reversal of the impairment, however, only up to the carrying amount of the assets that would be determined in a normal life cycle (after depreciation).

The impairment test as at 31 December 2023 at Arctic Paper Grycksbo was related to higher-than-expected results of the company realised as a result of market conditions such as macroeconomic factors, competitive environment and higher demand in the paper segment produced by Grycksbo. The cash-generating unit is classified as a paper segment.

The value of the weighted average cost of capital (WACC) at 31 December 2023 was 9.7% (at 31 December 2022 9.4%).

The key assumptions of the impairment test carried out as 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.

Sales prices include discounts and rebates granted.

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 tables below will present the assumptions and sensitivity analysis for the impairment test carried out as at 31 December 2023 and 31 December 2022:

Key assumptions

Main assumptions	2023	2022
Approved projections based on	2024-2028	2023-2027
Weighted average cost of capital (WACC)	9,7%	9,4%
Sales volume [tonnes]	180 000	210 000
Average annual change in selling prices over the projection period	0,5%	(1,8%)
Average annual change in pulp purchase prices over the projection period	0,0%	17,8%
Average annual change in power purchase prices over the projection period	0,0%	(0,7%)
Growth rate in the residual period	0,0%	0,0%

Sensitivity of assumptions – influence on assets value reported in the statement of financial position

Parameter	Change of the parameter by	2023 Impact on the value of assets in use	2022 Impact on the value of assets in use
<i>31 December 2023</i>			
Weighted average cost of capital (WACC)	+0,1 p.p.	brak	brak
Growth rate in the residual period	+0,1 p.p.	brak	brak
Sales volume during the projection period	1%	brak	brak
Selling price during the projection period	1%	brak	brak
Purchase price of pulp during the projection period	1%	brak	brak
Purchase price of energy during the projection period	10%	brak	brak
Weighted average cost of capital (WACC)	-0,1 p.p.	brak	brak
Growth rate in the residual period	-0,1 p.p.	brak	brak
Sales volume during the projection period	-1%	brak	brak
Selling price during the projection period	-1%	brak	brak
Purchase price of pulp during the projection period	-1%	brak	brak
Purchase price of energy during the projection period	-10%	brak	brak

22. Inventories

	As at 31 December 2023	As at 31 December 2022
Materials (at purchase prices)	187 943	258 076
Production in progress (at manufacturing costs)	8 428	9 170
Finished products, of which:		
At purchase price / manufacturing costs	247 760	333 922
At net realisable price	-	-
Advance payments for deliveries	800	37
Total inventories, at the lower of cost and net realisable value	444 930	601 205
Impairment allowance to inventories	16 556	9 703
Total inventories before impairment allowance	461 487	610 909

Goods amounted to PLN 23 thousand at 31 December 2023 (31 December 2022: PLN 327 thousand).

The value of inventories recognised in 2023 costs is PLN 1,887 million (2022: PLN 2,694 million). In the year ended 31 December 2023, the Group increased inventory allowances by a net amount of PLN 6,853 thousand (2022: net reduction of PLN 748 thousand). The reduction in the allowance was mainly due to the sale or scrapping of spare parts.

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

In the financial year ended on 31 December 2023 the Group had a pledge agreement on its entire movable assets understood as inventories, trade receivables and cash for PLN 823,436 thousand, SEK 135 thousand.

In the financial year ended on 31 December 2022 the Group had a pledge agreement on its entire movable assets understood as inventories, trade receivables and cash for PLN 952,687 thousand, NOK 58 thousand.

23. Trade and other receivables

	As at 31 December 2023	As at 31 December 2022
Trade receivables	365 415	457 032
VAT receivables	40 146	38 442
Other third party receivables	9 860	5 201
Other receivables from related entities	-	2 716
Total (net) receivables	415 421	503 391
Impairment allowances to receivables	4 150	5 482
Gross receivables	419 572	508 873

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

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

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

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

As at 31 December 2023, trade receivables of PLN 4,150 thousand (as at 31 December 2022: PLN 5,482 thousand) were deemed uncollectible and therefore written off.

The changes to impairment allowances to receivables were as follows:

	Year ended on 31 December 2023	Year ended on 31 December 2022
Impairment allowance as at 1 January	5 482	15 954
Increase	(724)	(209)
Utilisation	(335)	(10 484)
Release of unused allowance	(177)	(7)
FX differences on translation of foreign operations	(96)	227
Impairment allowance as at 31 December	4 150	5 482

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

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

	Total	Not overdue	Overdue but collectible				
			< 30 days	30-60 days	60-90 days	90-120 days	>120 days
As at 31 December 2023	365 415	322 217	39 940	1 047	48	122	2 042
As at 31 December 2022	457 032	399 413	52 226	2 401	172	248	2 573

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

The maturities of other receivables from third parties do not exceed 360 days. The policy regarding the recognition of impairment allowances on receivables is described in Notes 9.11 and 35.

24. Cash and cash equivalents

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

The fair value of cash and cash equivalents at 31 December 2023 is PLN 500,449 thousand (31 December 2022: PLN 481,930 thousand).

As at 31 December 2023, the Group had unused cash under current facilities of PLN 215,329 thousand (31 December 2022: PLN 227,286 thousand).

As at 31 December 2023, the Group had a used overdraft facility of PLN 0 thousand (31 December 2022: PLN 0 thousand).

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

	As at 31 December 2023	As at 31 December 2022
Cash in bank and on hand	500 316	481 930
Short-term deposits	133	-
Cash in transit	-	-
Cash and cash equivalents in the consolidated statement of financial position	500 449	481 930
Cash in bank and on hand attributable to discontinued operations	-	-
Cash and cash equivalents in the consolidated cash flow statement	500 449	481 930

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

25. Share capital and other capital

25.1. Share capital

Share capital (in PLN)	As at 31 December 2023	As at 31 December 2022
series A ordinary shares of the nominal value of PLN 1 each	50 000	50 000
series B ordinary shares of the nominal value of PLN 1 each	44 253 500	44 253 500
series C ordinary shares of the nominal value of PLN 1 each	8 100 000	8 100 000
series E ordinary shares of the nominal value of PLN 1 each	3 000 000	3 000 000
series F ordinary shares of the nominal value of PLN 1 each	13 884 283	13 884 283
Number of shares	69 287 783	69 287 783
Value of share capital	69 287 783	69 287 783

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

In 2022 and 2021 there were no changes to the share capital of Arctic Paper S.A.

25.1.2. Nominal value of shares

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

25.1.3. Shareholders' rights

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

25.2. FX differences on translation of foreign operations

This item includes exchange rate differences resulting from the translation of the financial statements of foreign subsidiaries, for which the functional currency is different from PLN, into the presentation currency of these financial statements, i.e. PLN. The rules of translation along with the applied FX rates are described in note 9.4.

25.3. Supplementary capital

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

	2023-12-31	2022-12-31
Excess of issue price over nominal value (agio)	117 486	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	443 805	407 977

The table below presents changes to the supplementary capital in the year ended on 31 December 2023 and 31 December 2022:

	Year ended on 31 December 2023	Year ended on 31 December 2022
Supplementary capital at the beginning of period	407 976	407 976
Profit/loss distribution	35 829	-
Supplementary capital at the end of the period	443 419	407 976

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 use of supplementary capital and reserve funds is determined by the General Meeting; however, a part of supplementary capital equal to one third of the share capital can be used solely to cover the losses disclosed in the standalone financial statements of the Parent Entity and cannot be distributed to other purposes.

25.4. Other capital

The capital reserve comprises part of the retained earnings and losses arising from the distribution of the result of Arctic Paper S.A., the reclassification between capitals in APSA and the capital from the valuation of hedging transactions. Information on the Other capital is presented in the table below:

	2023-12-31	2022-12-31
Other reserves created from profits	135 511	135 511
Capital from revaluation of a hedging instrument	27 240	176 936
TOTAL	162 751	312 447

The table below presents changes to the reserve capitals in the year ended on 31 December 2023 and 31 December 2022:

	Year ended on 31 December 2023	Year ended on 31 December 2022
Other reserves at the beginning of period	312 447	201 226
<u>Changes to cash flow hedges</u>		
Change of measurement of financial instruments, of which:	(172 130)	147 549
– Forward for electricity	(167 829)	139 895
– interest rate SWAP	(4 703)	4 845
– Forward for pulp	402	2 810
Deferred income tax on the change of measurement of financial instruments, including:	35 322	(30 400)
– Forward for electricity	-	(28 811)
– interest rate SWAP	34 510	(941)
– Forward for pulp	894	(648)
<u>Other changes</u>	(83)	-
Dividend disbursed to shareholders of AP SA	-	(5 928)
Other reserves at the end of period	175 639	312 447

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

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

Retained profit/accumulated loss in the consolidated financial statements may contain amounts that are not distributable – such that may not be distributed as dividend. All financial statements of consolidated entities are prepared in accordance with the companies' articles of association. Arctic Paper Kostrzyn S.A. and Arctic Paper S.A. prepare their financial statements in accordance with International Financial Reporting Standards. The statutory financial statements of the other entities are prepared in accordance with local accounting standards. Dividendsto the Parent Entity may be paid on the basis of the financial result established in the separate annual accounts prepared for statutory purposes. Such local definition of undistributed profit often differs from the definition of undistributed profit resulting from EU IFRS which may restrict profit distribution. For instance, local legal regulations often require allocations to certain reserves on account of potential future losses. Application of different accounting principles may generate differences between statutory financial statements and reporting packages for consolidation purposes.

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

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

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

As at 31 December 2023, there were no other restrictions concerning dividend distribution.

Retained earnings/losses presented in the statement of financial position as at 31 December 2023 and 31 December 2022 consist of the following items:

	As at 31 December 2023	As at 31 December 2022
Consolidated gains / losses attributable to the parent company	1 032 560	785 429
Consolidated profit / loss from the distribution of profit / loss of the parent company, incl. – from last year's profit/loss distribution/dividend payment	(166 189) (222 906)	56 717 (21 787)
Profit / loss on the acquisition/sale of Rottneros AB shares from non-controlling shareholders, incl. – profit – loss	23 193 29 353 (6 160)	23 193 29 353 (6 160)
Actuarial profit/loss	(27 530)	(27 637)
Gains / losses retained at the end of the period	862 036	837 702

25.6. Non-controlling interests

	Year ended on 31 December 2023	Year ended on 31 December 2022
As at beginning of the period	464 564	330 859
Dividend disbursed by subsidiary entities	(41 849)	(20 088)
Share in other comprehensive income of subsidiary entities	(64 633)	153 792
At the end of period	358 081	464 564

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

Consolidated profit and loss account	Year ended on 31 December 2023	Year ended on 31 December 2022
Revenues from sales of products	1 091 506	1 314 473
Operating expenses	(1 032 077)	(1 076 712)
Operating profit/(loss)	59 429	237 761
Financial income/expenses	1 189	88 661
Gross profit/(loss)	60 617	326 422
Income tax	(12 678)	(68 088)
Net profit/(loss)	47 939	258 334

Consolidated balance sheet	As at 31 December 2023	As at 31 December 2022
Fixed assets	576 093	548 430
Current assets, of which:	492 618	777 298
Inventories	193 599	183 687
Receivables and other assets	222 207	397 707
Cash and cash equivalents	76 812	195 905
TOTAL ASSETS	1 068 711	1 325 728
Equity	728 150	865 248
Long-term liabilities	110 516	184 108
Short-term liabilities	230 045	276 373
TOTAL EQUITY AND LIABILITIES	1 068 711	1 325 728

Consolidated cash flow statement	Year ended on 31 December 2023	Year ended on 31 December 2022
Cash flows from operating activities	38 169	244 488
Cash flows from investing activities	(54 017)	(54 815)
Cash flows from financing activities	(90 728)	(55 578)
Change in cash and cash equivalents	(106 575)	134 094
Cash and cash equivalents at the beginning of the period	195 905	72 225
Net FX differences	(12 517)	(10 414)
Cash and cash equivalents at the end of the period	76 812	195 905

During 2023, Rottneros AB paid dividends, totalling PLN 85,932 thousand (SEK 213 million) of which PLN 41,849 thousand related to non-controlling shareholders.

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

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

25.7. Analysis of other comprehensive income by capital item

	Na dzień 31 grudnia 2023	Na dzień 31 grudnia 2022
FX differences on translation of foreign operations		
included in "FX differences on translation of foreign operations" attributable to equity holders of the parent company	(67 547)	(47 328)
included under "Non-controlling shareholders' equity"	(31 486)	(23 938)
Measurement of financial instruments		
Items to be reclassified to profit/(loss) in future reporting periods:		
included under "Other reserves"	(128 013)	252 488
included under "Non-controlling shareholders' equity"	(50 514)	118 137
reclassified to profit/(loss) during the reporting		
included under "Other reserves"	(8 795)	(135 339)
included under "Non-controlling shareholders' equity"	(7 888)	(66 228)
Actuarial profit/(loss) for defined benefit plans		
recognised under "Retained earnings"	108	2 374
included under "Non-controlling shareholders' equity"	-	-
TOTAL	(294 136)	100 166

26. Liabilities under bank loans and other financial liabilities

Short-term liabilities	Note	Repayment date	Interest rate	As at 31 December 2023	As at 31 December 2022
Other financial liabilities:					
Lease liabilities	17	do 31-12-2024		4 720	7 881
Hedging instruments	35			(2)	-
Other liabilities		do 31-12-2024		162	174
Total other short-term financial liabilities				4 880	8 055
Bank loan commitments:					
Long-term loan from a consortium of banks: Santander, Pekao, BNP (short-term part) in PLN		31-03-2026	7,68%	13 383	14 828
Long-term loan from a consortium of banks: Santander, Pekao, BNP (short-term part) in EUR	35.3	31-03-2026	5,71% STIBOR	13 225	15 497
Loan from Danske Bank in SEK	35.3	14-07-2024	3M+1,75%	12 541	-
Loan from Nordea Bank Abp in SEK (short-term part)	35.3	do 31-12-2024	NSSu+1,75%	4 714	5 062
Total short-term bank loans				43 862	35 387
Total short-term financial liabilities				48 742	43 443
Long-term liabilities	Note	Repayment date	Interest rate	As at 31 December 2023	As at 31 December 2022
Other financial liabilities:					
Lease liabilities	17	to 31-12-2029		24 022	22 315
Other liabilities				865	843
Total other long-term financial liabilities				24 887	23 158
Bank loan commitments:					
Long-term loan from a consortium of banks: Santander, Pekao, BNP (long-term part) in PLN	35.3	31-03-2026	7,68%	21 417	36 043
Long-term loan from a consortium of banks: Santander, Pekao, BNP (long-term part) in EUR	35.3	31-03-2026	5,71%	20 663	36 979
Loan from Nordea Bank Abp in SEK (long-term part)	35.3	to 31-12-2024	NSSu+1,75%	17 244	23 593
Loan from Danske Bank in SEK	35.3	14-07-2024	STIBOR 3M+1,75%	19 987	42 551
Total long-term bank loans				79 311	139 166
Total long-term financial liabilities				104 198	162 324

26.1. Bank loans

In the period covered by this report, the Group made a partial repayment of the term loan under the loan agreement concluded on 2 April 2021 with a syndicate of banks in the amount of PLN 29,256 thousand and made a partial repayment of the loan with Nordea Bank in the amount of PLN 4,754 thousand and with Danske Bank in the amount of PLN 46,751 thousand.

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

26.2. Loan collateral

2023

The collateral established in connection with the term and revolving loan agreements signed on 2 April 2021 and signed on 11 May 2021 remained unchanged as at 31 December 2023.

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

1. under Polish law – Collateral Documents establishing the following Collateral:
 - › financial and registered pledges on all shares 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, provided that only existing mortgage deeds are subject to such security;
 - › 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.

Apart from the above, as at 31 December 2023 the Group disclosed:

- 1) collateral on assets related to the obligations contracted by Rottneros AB with Danske Bank – this is:
 - › pledge on assets for SEK 284,730 thousand (PLN 111,586);

2. collaterals on assets on account of AP Kraft's liabilities with Nordea Bank – these are:

- › mortgage on assets for SEK 68,000 thousand (PLN 26,649 thousand).

2022

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

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

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

- › pledge on assets for SEK 284,730 thousand (PLN 119,957);

2. collaterals on assets on account of AP Kraft's liabilities with Nordea Bank – these are:

- › mortgage on assets for SEK 80,000 thousand (PLN 33,704 thousand).

27. Employee benefits

27.1. Employee liabilities

The table below summarises the employee liabilities as at 31 December 2023 and 31 December 2022.

	Nota	Na dzień 31 grudnia 2023	Na dzień 31 grudnia 2022
Provision for pensions and similar benefits	27.2	42 694	47 286
Payable to employees as salaries		18 202	13 701
Personal Income Tax		5 045	6 147
Tax on repaid provision for pensions and similar benefits		5 523	13 908
Social benefit liabilities		24 064	17 010
Unused leave		38 592	42 690
Bonuses		10 433	34 050
Other employee liabilities		2 111	1 921
TOTAL		146 664	176 712
– short-term		105 525	133 165
– long-term		41 139	43 547

27.2. Retirement benefits and other post-employment benefits

Group entities pay post-employment benefits to its retiring employees in amounts set forth in Poland's Labour Code in case of Arctic Paper Kostrzyn S.A. and on the basis of existing agreements with trade unions in case of Arctic Paper Munkedals AB, Arctic Paper Kostrzyn S.A and Arctic Paper Grycksbo AB which additionally has set up a Social Fund for future retirees. In Q4 2022, AP Munkedals and AP Grycksbo, under a signed agreement with the pension fund in Sweden, the PRI made a full repayment of the liability for this. Moreover, due to legal regulations, Arctic Paper Mochenwangen GmbH is still obliged to recognize the provision for retirement benefits.

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

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

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

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

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

	Year ended on 31 December 2023	Year ended on 31 December 2022
Current headcount costs	921	1 778
Interest expense on employee benefit liabilities	1 172	1 172
Actuarial (profit)/loss	(281)	(1 935)
		-
Total costs of benefit in the plan	1 812	351
of which:		
recognised in the income statement	2 092	2 286
recognised in other comprehensive income	(281)	(1 935)

The justification presenting changes in the provisions for the years ended on 31 December 2023 and 31 December 2022 is presented in the table below.

	Defined benefit plan in Sweden (AP SA branch)	Defined benefit plan in Sweden (Munkedals)	Defined benefit plan in Sweden (Grycksbo)	Defined benefit plan in Sweden (Rottneros Group)	Defined benefit plan in Poland (Kostrzyn)	Defined benefit plan in Germany	Total
Provisions for pensions and similar benefits as at 1 January 2023	3 083	-	-	23 172	13 912	7 120	47 286
Current headcount costs	-	-	-	-	848	73	921
Interest expense	-	-	-	-	831	341	1 172
Actuarial Loss (Profit)	-	-	-	-	(917)	636	(281)
Benefits paid	(3 083)	-	-	-	(448)	(722)	(4 254)
FX differences on translation of foreign plans	-	-	-	(1 617)	-	(533)	(2 150)
Liabilities for pensions and similar benefits at 31 December 2023	-	-	-	21 555	14 226	6 914	42 694

	Defined benefit plan in Sweden (AP SA branch)	Defined benefit plan in Sweden (Munkedals)	Defined benefit plan in Sweden (Grycksbo)	Defined benefit plan in Sweden (Rottneros Group)	Defined benefit plan in Poland (Kostrzyn)	Defined benefit plan in Germany	Total
Provisions for pensions and similar benefits as at 1 January 2022	3 117	33 553	37 289	23 327	11 166	11 392	119 844
Current headcount costs	(34)	-	-	1 264	548	-	1 778
Interest expense	-	(358)	358	-	335	174	508
Actuarial Loss (Profit)	-	-	(58)	-	2 377	(4 254)	(1 935)
Benefits paid	-	-	(381)	-	(514)	(417)	(1 313)
Repayment of liability to the pension fund	-	(31 153)	(34 435)	-	-	-	(65 588)
FX differences on translation of foreign plans	-	(2 042)	(2 773)	(1 420)	-	225	(6 009)
Liabilities for pensions and similar benefits at 31 December 2022	3 083	-	-	23 172	13 912	7 120	47 286

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

	As at 31 December 2023	As at 31 December 2022
Discount rate (%)		
Programme in Sweden**	n.a.	n.a.
Programme in Poland	5,0%	6,0%
Programme in Germany	3,6%	4,2%
Anticipated salary growth rate (%)		
Programme in Sweden**	n.a.	n.a.
Programme in Poland	5,0%	7,0%
Programme in Germany*	n.a.	n.a.
Remaining employment period (in years)		
Programme in Sweden**	n.a.	n.a.
Programme in Poland	11,0	12,3
Programme in Germany*	13,2	12,9

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

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

Change in the adopted discount rate by 1 percentage point		
	Increase by 1 p.p.	Decrease by 1 p.p.
31 December 2023	w tys. PLN	PLN thousand
Impact on the defined benefit obligation (not including Swedish tax)	(2 348)	2 858
31 December 2022		
Impact on the defined benefit obligation (not including Swedish tax)	(2 509)	3 096
Change to the anticipated salary growth rate by 1 percentage point		
	Increase by 1 p.p.	Decrease by 1 p.p.
31 December 2023	w tys. PLN	PLN thousand
Impact on the liabilities under defined benefit plans	1 684	(1 417)
31 December 2022		
Impact on the liabilities under defined benefit plans	1 798	(1 501)

28. Provisions

28.1. Change in provisions

The table below presents changes to provisions in for 2023-2022:

	Provisions
As at 1 January 2023	10 467
Established during the financial year	4 801
Applied	(8 277)
Reversed	
Adjustment due to FX differences	(656)
As at 31 December 2023, of which:	6 335
- short-term	1 240
- long-term	5 095
As at 1 January 2022	1 840
Established during the financial year	8 797
Applied	(63)
Reversed	
Adjustment due to FX differences	(107)
As at 31 December 2022, of which:	10 467
- short-term	9 202
- long-term	1 265

Other provisions as at 31 December 2023 and 31 December 2022 cover mainly a provision for rights to emit CO₂.

28.2. Provisions for complaints and returns

Provisions for complaints and returns are established on the basis of complaints and returns made in the previous years. Due to regular outlays on improvement of the quality of production processes and products, the Group did not recognise a provision for complaints and returns as at the end of 2023 and 2022.

29. Trade and other payables, grants and deferred income

29.1. Trade and other payables (short-term)

	Na dzień 31 grudnia 2023	Na dzień 31 grudnia 2022
Trade payables, of which:		
Due to related entities	6	56
Due to other entities	412 918	519 847
	412 924	519 903
Taxes, duties and other liabilities		
VAT	5 009	12 118
Excise tax	575	586
Real estate tax	2 634	4 171
Other taxes	1 876	1 870
	10 094	18 744
Other liabilities		
Investment commitments	16 295	9 303
Liabilities related to environmental protection	198	1 486
Prepayments	8 406	1 774
	24 899	12 563
TOTAL	447 917	551 211

Principles and payment terms of the liabilities presented above:

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

29.2. Grants and deferred income

	As at 31 December 2023	As at 31 December 2022
Grants from Ekofundusz	4 517	5 704
Grants from NFOŚiGW	3 172	4 071
Grants in Sweden	-	1 264
Deferred income	9 132	14 316
TOTAL	16 821	25 355
– short-term	8 708	14 843
– long-term	8 113	10 512

30. Investment plans

As at 31 December 2023, the Group plans to make expenditures on tangible fixed assets in 2024 of minimum PLN 150 million. These amounts will be allocated to the purchase of new machinery and equipment.

As at 31 December 2022, the Group planned expenditures on tangible fixed assets of no less than PLN 180 million in 2023.

31. Contingent liabilities

31.1. Bank guarantee

- a bank guarantee in favour of Skatteverket Ludvika for SEK 135 thousand (PLN 53 thousand) .

31.2. Legal claims

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

32. Information on related entities

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

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

Senior management consists of the President and Members of the Parent Entity's Management Board. Related entities may also include the Chairman and Members of the Supervisory Board of the Parent Entity during the period in which they serve on the Company's body.

The table below presents the total values of transactions with related entities in 2022-2023:

Data for the period from 1 January 2023 to 31 December 2023 and as at 31 December 2023							
Related Entity	Sales of services to related entities	Purchases of services from related entities/remuneration	Interest – financial income	Interest – financial expense	Receivables from related entities	Loan receivables	Liabilities to related entities
Nemus Holding AB	409	60	-	-	-	-	6
Thomas Onstad	-	-	-	-	-	-	-
Munkedals Skog	-	349	-	-	-	-	-
Key management personnel	-	1 272	-	-	-	-	-
Total	409	1 681	-	-	-	-	6
Data for the period from 1 January 2022 to 31 December 2022 and as at 31 December 2022							
Related Entity	Sales of services to related entities	Purchases of services from related entities/remuneration	Interest – financial income	Interest – financial expense	Receivables from related entities	Loan receivables	Liabilities to related entities
Nemus Holding AB	444	64	-	-	2 716	-	7
Thomas Onstad	-	-	-	-	-	-	-
Munkedals Skog	-	244	-	-	-	-	-
Key management personnel	-	1 191	-	-	-	-	49
Total	444	1 499	-	-	2 716	-	56

32.1. Ultimate Parent Entity of the Group

The ultimate parent entity of the Group that prepares the consolidated financial statements is Nemus Holding AB. During the financial year ended 31 December 2023 and 31 December 2022, there were transactions between the Group and Nemus Holding AB listed in note 32.

32.2. Parent Entity

Nemus Holding AB is the Parent Entity for the Arctic Paper S.A. Capital Group which as at 31 December 2023 held 59.15% ordinary shares in Arctic Paper S.A.

32.3. Terms and conditions of transactions with related entities

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

32.4. Remuneration of senior management and the Supervisory Board of the Parent Entity

The Parent Entity's management team as at 31 December 2023 comprises three persons: President of the Management Board and two Members of the Management Board.

The remuneration of the management staff in the year ended on 31 December 2023 amounted to PLN 3,857 thousand (PLN 3,713 thousand in the year ended on 31 December 2022).

The table below shows the remuneration of the Parent Entity's senior management and Supervisory Board:

	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 include costs incurred by the Company for senior management services provided to a subsidiary of PLN 1,427 thousand.

32.5. Loan to a member of the Management Board

In 2022-2023 neither the Parent Entity, nor its subsidiary companies granted any loans to Members of the Management Board.

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

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

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

On 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. Capital 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. Capital 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 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

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

34. Financial risk management objectives and principles

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

The Group also uses factoring without recourse for trade receivables. The main purpose for using the financial instrument is to quickly raise funds. Receivables that are subject to factoring have been removed from the consolidated statement of financial position, as the conditions for removing the asset in accordance with IFRS 9 have been met.

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

In 2023, in the opinion of the Parent Entity's Management Board – compared to the annual consolidated financial statements prepared as at 31 December 2023, there were no significant changes in financial risk. There have been no changes to the objectives and policies of the management of the risk.

34.1. Ryzyko stopy procentowej

The Group is exposed to interest rate changes primarily with respect to its long-term financial liabilities. The Group held bank deposits as at 31 December 2023.

Interest rate risk – sensitivity to fluctuations

The table below presents the sensitivity of gross profit to rationally feasible interest rate changes assuming no change to other factors (related to liabilities based on variable interest rates). Variable rate loans and leases as at 31 December 2023 and 31 December 2022 are included in the calculation. For each currency the same growth of interest rate was assumed by 1 percentage point. At the end of each reporting period, the values of loans and leases in a specific currency were grouped together and an increase of 1 percentage point was calculated on the calculated amounts.

As at 31 December 2023	PLN	SEK	EUR
Long-term portion of loans	21 417	37 231	20 663
Long-term portion of lease liabilities	14 504	5 992	3 414
Less loans covered by SWAP	(21 417)	-	(20 663)
The basis for calculating the impact of a change in the interest rate	14 504	43 222	3 414
Effect on profit before tax of a 1 percentage point increase in interest rates	(145)	(432)	(34)

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

The basis for calculating the impact of interest rate changes at 31 December 2023 for the long-term part of the SEK loans takes into account the extended maturity for the loan with Nordea Bank Abp.

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

	As at 31 December 2023			As at 31 December 2022		
	The value of the financial liability, including:	The value of liability subject to fixed interest rate	The value of liability subject to variable interest rate	The value of the financial liability, including:	The value of liability subject to fixed interest rate	The value of liability subject to variable interest rate
Other financial liabilities:						
Lease liabilities	28 742	-	28 742	30 196	-	30 196
Bank loans:						
Long-term loan from a consortium of banks: Santander, Pekao, BNP in PLN	34 800	34 800	-	50 872	50 872	-
Long-term loan from a consortium of banks: Santander, Pekao, BNP in EUR	33 888	33 888	-	52 476	52 476	-
Revolving loan syndicate of banks (Santander, Pekao, BNP) PLN	-	-	-	-	-	-
Revolving loan syndicate of banks (Santander, Pekao, BNP) EUR	-	-	-	-	-	-
Loan from Nordea Bank Abp in SEK	21 957	-	21 957	28 655	-	28 655
Loan from Danske Bank in SEK	32 528	-	32 528	42 551	-	42 551
Total fixed and variable rate bank loans	123 173	68 687	54 485	174 554	103 347	71 206
TOTAL FIXED AND VARIABLE INTEREST RATE LIABILITIES	151 915	68 687	83 228	204 750	103 347	101 403

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

34.2. Currency risk

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

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

As at 31 December 2023	Basis for the calculation the effect of FX rate change	FX rate growth	Total impact	FX rate drop	Total impact
Impact of FX rate changes on gross profit					
PLN – EUR	181 509	+5%	9 075	-5%	(9 075)
PLN – USD	(22 384)	+5%	(1 119)	-5%	1 119
PLN – GBP	13 850	+5%	693	-5%	(693)
PLN – SEK	(17 870)	+5%	(893)	-5%	893
SEK – EUR	147 131	+5%	7 357	-5%	(7 357)
SEK – USD	99 327	+5%	4 966	-5%	(4 966)
SEK – GBP	18 547	+5%	927	-5%	(927)

Impact of financial instruments on other comprehensive income (due to differences on translation of foreign operations)		FX rate growth	Total impact	FX rate drop	Total impact
PLN – SEK		+5%	36 965	-5%	(36 965)
PLN – EUR		+5%	61	-5%	(61)

As at 31 December 2022	Basis for the calculation growth/drop of FX rates	FX rate growth	Total impact	FX rate drop	Total impact
Impact of FX rate changes on gross profit					
PLN – EUR	89 332	+5%	4 467	-5%	(4 467)
PLN – USD	(68 453)	+5%	(3 423)	-5%	3 423
PLN – GBP	17 865	+5%	893	-5%	(893)
PLN – SEK	(18 495)	+5%	(925)	-5%	925
SEK – EUR	379 187	+5%	18 959	-5%	(18 959)
SEK – USD	91 148	+5%	4 557	-5%	(4 557)
SEK – GBP	23 273	+5%	1 164	-5%	(1 164)

Impact of financial instruments on other comprehensive income (due to differences on translation of foreign operations)		FX rate growth	Total impact	FX rate drop	Total impact
PLN – SEK		+5%	34 412	-5%	(34 412)
PLN – EUR		+5%	87	-5%	(87)

34.3. Product and raw material price risk

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

The Group uses derivative instruments to manage market risk. The Rottneros Group is hedging against changes in the price of its product, cellulose. The Group hedges the risk of changes in energy prices to limit their impact on the volatility of the result. Details of all hedges used in the Group are set out in note 35.

34.4. Credit risk

Credit risk is the risk of financial loss by the Group when a customer or a counterparty to a financial instrument contract defaults under the contract. Credit risk is primarily related to receivables. The Group's trade receivables are mostly covered by insurance.

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

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

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

As at 31 December 2023	Weighted average percentage of the expected loss for uninsured receivables	Gross value of uninsured receivables	Weighted average percentage of expected credit losses insured receivables	Gross value of insured receivables	Allowance for expected loss on uninsured receivables	Allowance for expected loss on insured receivables	Specific allowance	Total allowance for receivables
Not overdue	0,00%	83 212	0,00%	239 006	1	-	-	1
< 30 days	0,00%	4 583	0,00%	35 357	-	-	-	-
30-60 days	0,17%	445	0,32%	605	1	2	-	3
60-90 days	0,47%	48	nd	-	-	-	-	-
90-120 days	1,64%	37	0,99%	86	1	1	-	1
120-360 days	1,88%	1 998	1,22%	82	38	1	-	39
>360 days		4 106		-	-	-	4 106	4 106
		94 430		275 135	40	4	4 106	4 150
As at 31 December 2022	Weighted average percentage of the expected loss for uninsured receivables	Gross value of uninsured receivables	Weighted average percentage of expected credit losses insured receivables	Gross value of insured receivables	Allowance for expected loss on uninsured receivables	Allowance for expected loss on insured receivables	Specific allowance	Total allowance for receivables
Not overdue	0,00%	97 742	0,01%	301 696	4	21	-	25
< 30 days	0,01%	7 179	0,01%	45 053	1	6	-	6
30-60 days	0,28%	237	0,11%	2 168	1	2	-	3
60-90 days	3,70%	114	1,29%	64	4	1	-	5
90-120 days	36,59%	21	7,86%	254	8	20	-	28
120-360 days	84,08%	259	14,25%	2 952	218	421	-	639
>360 days		4 776		-	-	-	4 776	4 776
		110 328		352 187	235	471	4 776	5 482

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

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

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

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

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

34.5. Liquidity risk

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

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

The table below summarises the Group's financial liabilities at 31 December 2023 and as at 31 December 2022 by maturity based on contractual undiscounted payments.

As at 31 December 2023	Carrying amount	Upon request	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Bank loans	123 173	-	6 307	40 923	83 883	-	131 113
Leases	28 742	538	1 427	3 916	14 536	49 626	70 043
Trade payables and for the purchase of tangible and intangible assets	429 219	479	424 056	4 685	-	-	429 219
Other financial liabilities	1 025	160	-	-	865	-	1 025
	582 159	1 177	431 789	49 524	99 285	49 626	631 401

As at 31 December 2022		Upon request	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Bank loans	174 554	-	3 567	40 684	155 503	-	199 755
Leases	30 196	-	3 084	5 453	14 316	46 137	68 989
Trade payables and for the purchase of tangible and intangible assets	529 206	452	525 299	3 456	-	-	529 206
Other financial liabilities	1 017	174	-	-	843	-	1 017
	734 973	626	531 950	49 593	170 661	46 137	798 967

As at 31 December 2023	Carrying amount	Upon request	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Bank loans	123 173	-	6 058	38 396	78 919	-	123 373
Leases	28 742	538	1 427	3 715	14 536	49 626	69 842
Trade payables and for the purchase of tangible and intangible assets	429 219	479	424 056	4 685	-	-	429 219
Other financial liabilities	1 025	160	-	-	865	-	1 025
	582 159	1 177	431 541	46 796	94 320	49 626	623 460
As at 31 December 2022		Upon request	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total

Bank loans	174 554	-	3 567	40 684	155 503	-	199 755
Leases	30 196	-	3 084	5 453	14 316	46 137	68 989
Trade payables and for the purchase of tangible and intangible assets	529 206	452	525 299	3 456	-	-	529 206
Other financial liabilities	1 017	174	-	-	843	-	1 017
	734 973	626	531 950	49 593	170 661	46 137	798 967

The table above as at 31 December 2023 takes into account the extension of the term of the loan with Nordea Bank Abp.

The Group has contractual commitments to acquire tangible fixed assets amounting to PLN 150,938 thousand as at 31 December 2023 (PLN 36,522 thousand as at 31 December 2022).

The table below provides a reconciliation of the items in the table above to the data in the statement of financial position (SHSF) or a note.

	Note / balance sheet	Value according to the note or balance sheet	Interest payable until repayment	Value according to the table
As at 31 December 2023				
Bank loans	26	123 173	7 940	131 113
Leases	17	28 742	41 062	69 804
Trade payables and for the purchase of tangible and intangible assets	29.1	429 219	nd	429 219
Other financial liabilities	26	1 025	nd	1 025
As at 31 December 2022				
Bank loans	26	174 553	25 201	199 755
Leases	17	30 197	38 792	68 989
Trade payables and for the purchase of tangible and intangible assets	29.1	529 206	nd	529 206
Other financial liabilities	26	1 017	nd	1 017

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

The table below shows the breakdown of cash by rating of the bank where it is deposited:

rating	cash and cash equivalents at 31.12.2023
A+	233 111
AA-	41 483
BBB+	50 339
BBB	56 498
BB	97 830
Pozostale*	21 189
Suma	500 449

*The remaining cash is kept in bank accounts of sales branches; due to significant fragmentation, no data was collected on the ratings of the banks where the cash is deposited.

Three main banks that the Group deposits cash and cash equivalents are 31%, 20% and 15% of the balance as at 31 December 2023.

35. Financial instruments

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

35.1. Fair values of different categories 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.

		Carrying amount		Fair value	
	Category in compliance with IFRS 9	As at 31 December 2023	As at 31 December 2022	As at 31 December 2023	As at 31 December 2022
Financial assets					
Trade and other receivables	WwZK	375 276	464 949	***	***
Hedging instruments*	IRZ	46 629	309 406	***	***
Derivative instruments measured at fair value through profit and loss	WwWGpWF	7 838	72 781	***	***
Receivables from pension fund	WwZK	21 236	22 829	***	***
Settlement of realised forward contracts	WwZK	11 008	37 641	***	***
Other financial assets **	WwWGpWF	14 501	3 370	***	***
Cash and cash equivalents	WwZK	500 449	481 930	***	***
Financial liabilities					
Loans	WwZK	123 173	174 553	126 986	181 237
Lease liabilities , of which:	WwZK	28 742	30 196	***	***
– long-term		24 022	22 315	***	***
– short-term		4 720	7 881	***	***
Trade payables, for the purchase of tangible and intangible assets.	WwZK	430 244	530 222	***	***
Hedging instruments*	IRZ	865	-	***	***

* derivative hedging instruments meeting the requirements of hedge accounting

** primarily investments in equity instruments

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

Abbreviations used:

WwZK – Financial assets/liabilities measured at amortised cost

IRZ – Hedge Accounting Instruments at fair value through other comprehensive income (where the instrument is determined to be effective)

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

The fair value of hedging instruments was determined on the basis of observable data from active markets that are not market quotations.

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

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

35.2. 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 currency exchange rate fluctuations	Changes in fair value or amortised cost	Changes due to acquisition/disposal	31 December 2023
Liabilities arising from financing activities							
Loans (short-term and long-term)	27	174 554	(41 142)	(10 239)	-	-	123 173
Lease liabilities (short-term and long-term)	27	30 196	(9 795)	(1 105)	-	9 446	28 742
Other (short-term and long-term)	27	1 017	(795)	(71)	875	-	1 025
Total liabilities resulting from financing activity		205 767	(51 731)	(11 415)	875	9 446	152 940
Assets arising from financing activities							
Derivative financial instruments (assets)	20.1	8 144	4 147	-	(8 849)	-	3 442
Total assets arising from financing activities		8 144	4 147	-	(8 849)	-	3 442

35.3. Hedge accounting

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

Hedge accounting of cash flows from sales of pulp

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

Type of hedge	Cash flow hedge related to sales of pulp
Hedged item	The hedged item is a part of highly likely future cash inflows for pulp sales
Hedging instruments	Forward contracts are used as the hedging item wherein the Company agrees to sell pulp for SEK
Contract parameters:	
Contract conclusion date	2023
Maturity date:	depending on the contract; until 31.12.2024
Hedged quantity of pulp	12,000 tonnes
Term price	SEK 13 284 /tonne

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

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

Type of hedge	Cash flow hedge related to planned purchases of electricity
Hedged item	The hedged item is a part of highly likely future cash flows for electricity purchases
Hedging instruments	Forward contract for the purchase of electricity at Nord Pool Exchange
Contract parameters:	
Contract conclusion date	depending on the contract; from 2019
Maturity date	depending on the contract; until 31.12.2028
Hedged quantity of electricity	879 189 MWh
Term price	from 26,95 to 65,10 EUR/MWh

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

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

SWAP on the interest rate	EUR	PLN
Type of hedge	Hedge of cash flows related to variable interest rate on the EUR long-term loan	Hedge of cash flows related to variable interest rate on the PLN long-term loan
Hedged 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 effectiveness of the hedging instruments is very high due to the fact that the parameters of the hedging instruments are matched to the hedged items, particularly with regard to the denominations and dates of the cash flows, the interest rate underlying the calculation of these flows, and the interest accrual conventions. The effectiveness of hedging instruments such as electricity forwards is very high due to the fact that the parameters of the hedging instruments are matched to the hedged items, particularly in terms of the type and quantity of energy purchased and the dates of cash flows associated with energy payments. The effectiveness of hedging instruments such as forwards for the sale of pulp is very high due to the fact that the parameters of the hedging instruments are matched to the hedged items, in particular with regard to the grade and quantity of the pulp sold and the dates of the cash flows associated with receiving payment for the pulp.

The Group 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 ratios are 100% and the only source of potential ineffectiveness we identify is the two-day difference in maturity of the hedged item and the hedging instrument. The ratios and sources of ineffectiveness are presented in the hedge accounting documentation.

35.3.1. Other information on derivative instruments

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

	Status as at 31 December 2023		Status as at 31 December 2022	
	Assets	Equity and liabilities	Assets	Equity and liabilities
Forward on pulp sales	3 135	-	2 528	-
SWAP	3 441	-	8 144	-
Forward for electricity	40 053	865	302 033	-
Total hedging derivative instruments	46 629	865	312 705	-

The table below shows the nominal value of the amounts associated with the positions designated as hedging instruments at 31 December 2023:

	Up to 1 year	1 to 5 years	Over 5 years	Total
Forward for electricity:				
Purchased energy (in PLN '000)	47 151	39 081	-	86 232
Forward on pulp sales				
Pulp sold (in PLN '000)	62 472	-	-	62 472
interest rate SWAP				
principal repayment (in PLN '000)	26 607	42 080	-	68 687

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

	Year ended on 31 December 2023
Other reserves in the part related to revaluation as at 31 December 2023 – fair value measurement of hedging derivative instruments due to the hedged risk, corresponding to effective hedging, net of tax effect	40 127
including those concerning	
forward contracts	37 448
SWAP contracts	2 679
The period of the anticipated hedged flows	01 January 2024 – 31 December 2028

The table below presents changes to other reserves in the part related to measurement under hedge accounting in 2023:

	Year ended on 31 December 2023
Other reserves in the part related to revaluation as at 1 January 2023	176 935
Deferral to changes of fair value measurement of the hedging derivative instruments due to the hedged risk, corresponding to the effective hedge, net of tax effect	(136 808)
Amount of deferred remeasurement to fair value of hedging derivatives for hedged risk, removed from other reserves and transferred to financial income, net of tax effect	-
Other reserves in the part related to revaluation as at 31 December 2023	40 127

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

36. Capital management

The primary objective of the Group's capital management is to maintain a strong credit rating and healthy capital ratios in order to support the Group's business operations and maximise the shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in the economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to its shareholders, return capital to the shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended on 31 December 2023 and 31 December 2022.

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

Arctic Paper Group	As at 31 December 2023	As at 31 December 2022
Bank loans and other financial liabilities	152 940	205 766
Trade and other payables	447 917	551 211
Minus cash and cash equivalents	(500 449)	(481 930)
Net debt	100 408	275 048
Equity	1 801 508	2 727 665
Equity and net debt	1 901 915	3 002 713
Leverage ratio	0,05	0,09

Compared to the 2022 annual report, the leverage ratio decreased as a result of an increase in cash and cash equivalents and equity as at 31 December 2023.

37. Employment structure

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

	Year ended on 31 December 2022	Year ended on 31 December 2021
Management Board of the Parent Entity	2	2
Management Boards of Group entities	36	35
Administration	119	124
Sales Department	108	77
Production Division	1 183	1 118
Other	77	153
Total	1 525	1 509

38. Certificates in cogeneration

The property rights to the certificates of origin, which are evidence of the production of electricity in CHP, are held by AP Grycksbo.

For the cogeneration of electricity, in 2023 the AP Grycksbo acquired the following rights: green certificates 1,586 MWh (2022: 10,497 MWh). In 2023, revenue generated from the sale of certificates amounted to PLN 0 thousand (2022: PLN 3 thousand).

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

39. Grants

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

40. Information on the impact of climate issues on the Group's operations

The Arctic Paper Group regularly assesses climate-related risks and opportunities that may affect the Group's operations. The impact of climate issues has been determined to the best of management's knowledge, current, obtainable estimates of the economic and social conditions likely to occur in the foreseeable future. The environment and climate change, is one of the identified significant areas from the point of view of assessing their importance and impact on the Arctic Paper Group's operations.

The detailed risk areas, their implications and the mitigating actions taken by the Arctic Paper Group are presented in the Arctic Paper Group Sustainability Report in section 2.4 Principal risks and their management. Mitigating risks associated with the effects of climate change include, among others, careful monitoring of environmental standards and indicators, reduction of individual energy consumption and investment in renewable, carbon-neutral energy sources.

The Arctic Paper Group is actively investing in the energy transition, both in terms of improving the efficiency of the technologies currently used and diversifying energy sources towards low and zero carbon solutions, including the construction of a multi-fuel

boiler at Arctic Paper Munkedals and the start of an investment to build a biomass drying and pellet plant at Arctic Paper Grycksbo, which will provide more sustainable fuel sourcing and reduce energy costs.

Arctic Paper's ambition and the target set by the 4P Strategy adopted in 2021 is to achieve CO2 neutrality in the paper and packaging pillars by 2030, and in all pillars (including the energy and pulp pillars) by 2035.

There were no significant impairment allowances of fixed or current assets in 2023. There was also no indication of any additional provisions other than the allowances and provisions that are recognised in the course of the Group's regular business.

41. Impact of the war in Ukraine on the Group's operations

The Arctic Paper Group sells graphic paper to, inter alia, Ukraine (sales to Russia and Belarus have been discontinued); sales to this market are made mainly on the basis of prepayments (some customers are insured) and own collection from the premises of Arctic Paper factories or on the basis of FCA Poland. In 2023, sales to this market amounted to 0.99% of the Group's turnover. We assess that the war in Ukraine has no direct impact on the Group's operation.

42. Material events after the balance sheet date

From the balance sheet date until the day of publishing of these consolidated financial statements, there were no other events which might have a material impact on the Group'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 Finance 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

Statement of the Management Board

Accuracy and reliability of the presented reports

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

- The consolidated financial statements of the Arctic Paper Capital Group for the year ended on 31 December 2023 and the comparable data were prepared in compliance with the applicable accounting principles and they reflect the economic and financial condition of the Capital Group and its financial result for 2023 in a true, reliable and clear manner.

Signatures of the Members of the Management Board

Position	First and last name	Date	Signature
President of the Management Board Chief Executive Officer	Michał Jarczyński	4 April 2024	signed with a qualified electronic signature
Member of the Management Board Chief Finance 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



TRANSLATORS' EXPLANATORY NOTE

The English content of this report is a free translation of the registered auditor's report of the below-mentioned Polish Company. In Poland statutory accounts as well as the auditor's report should be prepared and presented in Polish and in accordance with Polish legislation.

The accompanying translation has not been reclassified or adjusted in any way to conform to the accounting principles generally accepted in countries other than Poland, but certain terminology current in Anglo-Saxon countries has been adopted to the extent practicable. In the event of any discrepancies in interpreting the terminology, the Polish language version is binding.

Independent Registered Auditor's Report

To the General Shareholders' Meeting and the Supervisory Board of Arctic Paper S.A.

Report on the audit of consolidated financial statements

Our opinion

In our opinion, the accompanying annual consolidated financial statements:

- give a true and fair view of the consolidated financial position of Arctic Paper S.A. (the "Parent Company") and its subsidiaries (together "the Group" as at 31 December 2023 and the Group's consolidated] financial performance and the consolidated cash flows for the year then ended in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and the adopted accounting policies;
- comply in terms of form and content with the laws applicable to the Group and the Parent Company's Articles of Association.

Our opinion is consistent with our additional report to the Audit Committee issued on the date of this report.

What we have audited

We have audited the annual consolidated financial statements of the Group Arctic Paper S.A. which comprise:

- the consolidated statement of financial position as at 31 December 2023;

and the following prepared for the financial year from 1 January to 31 December 2023:

- the consolidated statement of income statement;
- the consolidated statement of comprehensive income;
- the consolidated statement of changes in equity;
- the consolidated statement of cash flows, and
- the additional information to consolidated financial statements comprising a description of the significant adopted accounting policies and additional notes and explanations.

Basis for opinion

We conducted our audit in accordance with the National Standards on Auditing in the wording of the International Standards on Auditing as adopted by the resolution of the National Council of Statutory Auditors ("NSA") and pursuant to the Law of 11 May 2017 on Registered Auditors, Registered Audit Companies and Public Oversight (the "Law on Registered Auditors") and the Regulation (EU) No. 537/2014 of 16 April 2014 on specific requirements regarding the statutory audit of public-interest entities (the "EU Regulation"). Our responsibilities under NSA are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

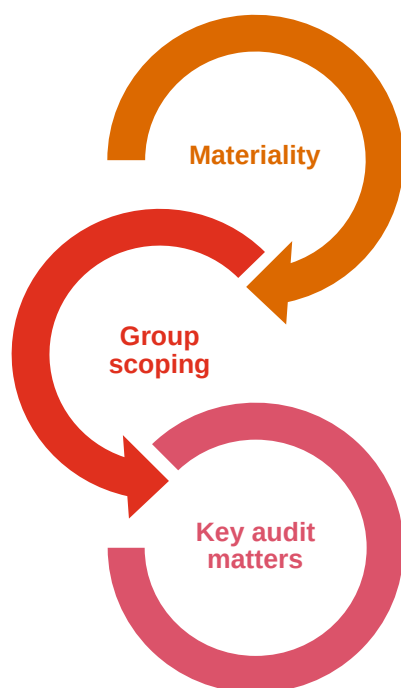
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted by resolution of the National Council of Statutory Auditors and other ethical requirements that are relevant to our audit of the consolidated financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. During the audit, the key registered auditor and the registered audit firm remained independent of the Group in accordance with the independence requirements set out in the Law on Registered Auditors and in the EU Regulation.

Our audit approach

Overview



- The overall materiality threshold adopted for the purposes of our audit was set at PLN 17.100 thousand, which represents 5% of the profit before tax.

- We have audited the Parent Company and three subsidiaries and one consolidated group in two countries.
- The audit team visited the following subsidiaries Rottneros AB Vallviks Bruk (Sweden).
- The scope of our audit covered 98% of the Group's revenue and 96% of the absolute value of its profit or loss (after consolidation eliminations).

- Recognition of revenues from contracts with customers.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Parent Company's Management Board made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole, as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	PLN 17.100 thousand
How we determined it	5% of the profit before tax
Rationale for the materiality benchmark applied	For the Arctic Paper Group, we used profit before tax as the basis for determining materiality because, in our opinion, this measure is commonly used to assess the Group's operations by users of financial statements and is a generally accepted benchmark. We have set a materiality level of 5% because, based on our professional judgment, it is within the range of acceptable quantitative materiality thresholds.

We agreed with the Audit Committee of the Company [Parent] that we would report to them misstatements of the consolidated financial statements identified during our audit above PLN 1,710 thousand, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. They include the most significant identified risks of material misstatements, including the identified risks of material misstatement resulting from fraud. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Recognition of revenues from contracts with customers The Group presented the principles of recognizing revenues from contracts with customers in note 9.21 and disclosures related to sales revenues in note 10 to the consolidated financial statements. In the financial year ended December 31, 2023, the Group generated revenues from contracts with customers in the total amount of PLN 3,549.2 million (in 2022: PLN 4,894.3 million) from the following titles: • from the sale of paper; • from the sale of cellulose. This matter was the subject of our special attention due to the fact that the application of appropriate financial reporting standards regarding the recognition, measurement and presentation of revenues is complex and requires the Management Board to make decisions, among others: related to the allocation of the transaction price resulting from signed contracts with customers to performance obligations. Moreover, the correct determination of revenues is also based on the use of complex IT data processing systems. Due to the materiality and importance of the revenue item to the consolidated financial statements, the need to make estimates and judgments, and the potential risk of fraud, we considered this issue to be a key audit matter.	Our audit procedures included, in particular: • understanding and assessing the internal control environment, including the IT environment, relating to the recognition, measurement and presentation of particular types of sales revenue; • assessing the compliance of accounting policies regarding revenue recognition with the relevant financial reporting standards, in particular those related to significant accounting estimates and judgments; • analysis of significant sales agreements and accompanying contracts concluded by the Group; • tests of internal controls, on a selected sample, in terms of the correctness and accuracy of the sales prices used and the compliance of the invoice with the order/price list and the compliance of the invoice with the transport document; • detailed tests for the selected sample, including: on confirmation of specific aspects of transactions with customers or reconciliation of issued sales invoices, release and delivery documents for products and goods sold, related contracts with customers, sales prices applied and payments received; • detailed tests regarding the correctness of the moment of revenue recognition based on a selected sample; • tests, on a selected sample, of the correctness and completeness of the recognition of sales discounts and marketing campaigns; • analysis of non-standard posting patterns in the transaction journal in the audited year; • taking into account the element of unpredictability when selecting the type, timing and scope of audit procedures. • assessing the correctness and completeness of disclosures regarding revenues from contracts with customers in the consolidated financial statements.

Responsibility of the Management and Supervisory Board for the consolidated financial statements

The Management Board of the Parent Company is responsible for the preparation, based on the properly maintained books of account of the annual consolidated financial statements that give a true and fair view of the Group's financial position and results of operations, in accordance with International Financial Reporting Standards as adopted by the European Union, the adopted accounting policies, the applicable laws and the Parent Company's Articles of Association, and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent Company's Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Parent Company's Management Board and members of the Supervisory Board are obliged to ensure that the consolidated financial statements comply with the requirements specified in the Accounting Act of 29 September 1994 ("the Accounting Law"). Members of the Supervisory Board are responsible for overseeing the financial reporting process.

Auditor's responsibility for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the NSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these consolidated financial statements.

The scope of the audit does not include an assurance on the Group's future profitability nor the efficiency and effectiveness of the Parent Company's Management Board conducting its affairs, now or in future.

As part of an audit in accordance with NSA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent Company's Management Board;

- conclude on the appropriateness of the Parent Company's Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other information, including the report on the operations

Other information

Other information comprises:

- a Report on the Group Arctic Paper S.A. operations for the financial year ended 31 December 2023 ("the Report on the operations") and the corporate governance statement which is a separate part of this Report,
- a separate report on non-financial information referred to in Article 55(2c) of the Accounting Act,
- other documents comprising the Annual Report for the financial year ended 31 December 2023 ("the Annual Report"),

(together "Other Information"). Other information does not include the financial statements and our auditor's report thereon.

Responsibility of the Management and Supervisory Board

The Management Board of the Parent Company is responsible for the preparation of the Other Information in accordance with the law.

The Parent Company's Management Board and the members of the Supervisory Board are obliged to ensure that the Report on the operations of the Group including its separate parts comply with the requirements of the Accounting Law.

Registered auditor's responsibility

Our opinion on the consolidated financial statements does not cover the Other Information.

In connection with our audit of the consolidated financial statements, our responsibility under NSA is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the information in the consolidated financial statements, our knowledge obtained in our audit, or otherwise appears to be materially misstated. If, based on the work performed, we identified a material misstatement in the Other Information, we are obliged to inform about it in our audit report. In accordance with the requirements of the Law on the Registered Auditors, we are also obliged to issue an opinion on whether the Report on the operations has been prepared in accordance with the law and is consistent with information included in annual consolidated financial statements.

Moreover, we are obliged to issue an opinion on whether the Parent Company and Group provided the required information in its corporate governance statement and to inform whether the Parent Company and Group prepared a statement on non-financial information/a separate report on non-financial information.

Statement on the Other information

We declare, based on the knowledge of the Group and its environment obtained during our audit, that we have not identified any material misstatements in the Report on the operations of the Group and the remaining Other information.

Opinion on the Report on the operations

Based on the work we carried out during our audit, in our opinion, the Report on the operations of the Group:

- has been prepared in accordance with the requirements of Article 49 of the Accounting Act and para. 70 and para. 71 of the Regulation of the Minister of Finance dated 29 March 2018 on current and periodical information submitted by issuers of securities and conditions for considering as equivalent the information required under the legislation of a non-Member State ("Regulation on current information");
- is consistent with the information in the consolidated financial statements.

Opinion on the corporate governance statement

In our opinion, in its corporate governance statement, the Parent Company and Group included information set out in para. 70.6 (5) of the Regulation on current information. In addition, in our opinion, information specified in paragraph 70.6 (5)(c)–(f), (h) and (i) of the said Regulation included in the corporate governance statement are consistent with the applicable provisions of the law and with information included in the consolidated financial statements.

Information on non-financial information

In accordance with the requirements of the Act on the Registered Auditors, we confirm that the Group has included in its Report on the operations, information on the preparation of a separate report on

non-financial information referred to in Article 55(2c) of the Accounting Act and that the Group has prepared such a separate report.

We have not performed any assurance work relating to the separate report on non-financial information and we do not provide any assurance with regard to it.

Report on other legal and regulatory requirements

Report on the compliance of the marking up of consolidated financial statements with the requirements of the European Single Electronic Format (“ESEF”)

In connection with the audit of consolidated financial statements we have been engaged by the Parent Company’s Management Board as part of our audit engagement letter to conduct a reasonable assurance engagement to express an opinion whether the consolidated financial statements of the Group as at and for the year ended 31 December 2022 prepared in the single electronic format contained in the file named ESEF Arctic Paper SA-2023-12-31-pl (the “consolidated financial statements in the ESEF format”) was marked up in accordance with the requirements in the article 4 of the 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 (the “ESEF Regulation”).

Description of a subject matter and applicable criteria

The consolidated financial statements in the ESEF format were prepared by the Parent Company’s Management Board to comply with the technical requirements regarding the specification of a single electronic reporting format and marking up, which are set out in the ESEF Regulation.

The subject matter of our assurance engagement is the compliance of the consolidated financial statements in the ESEF format with the requirements of the ESEF Regulation and the requirements of this regulation, in our view, constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibility of the Management Board of the Parent Company and the Supervisory Board

The Parent Company’s Management Board is responsible for the preparation of the consolidated financial statements in the ESEF format in accordance with the technical requirements regarding the specification of a single electronic reporting format which are set out in the ESEF Regulation. This responsibility includes the selection and application of appropriate markups in iXBRL using taxonomy specified in the ESEF Regulation. The responsibility of the Management Board also includes designing, implementing and maintaining internal controls relevant for the preparation of the consolidated financial statements in the ESEF format which are free from material non-compliance with the requirements of the ESEF Regulation and their marking-up in compliance with these requirements.

Members of the Parent Company’s Supervisory Board are responsible for overseeing the financial reporting process, which also includes the preparation of the consolidated financial statements in accordance with the format that is compliant with legal requirements.

Our responsibility

Our objective was to express a conclusion, based on the conducted reasonable assurance engagement, whether the consolidated financial statements prepared in the ESEF format were marked up, in all material respects, with the requirements of the ESEF Regulation.

We conducted our engagement in accordance with the National Standard on Assurance Engagements other than Audit and Review 3001pl - audit of financial statements prepared in the single electronic reporting format ("KSUA 3001pl") and where relevant with the National Standard on Assurance Engagements 3000 (R) in the wording of the International Standard on Assurance Services 3000 (Revised) - 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' as issued by the National Council of Statutory Auditors ("KSUA 3000(R)"). These standards require that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the consolidated financial statements in the ESEF format were marked up, in all material respects, in compliance with the specified criteria.

Reasonable assurance is a high level of assurance, but it does not guarantee that the engagement performed in accordance with KSUA 3001pl and KSUA 3000 (R) will always detect the material misstatement (significant non-compliance with the requirements).

The selection of the procedures depends on the auditor's judgement, including the auditor's assessment of the risk of material misstatements, whether due to fraud or error. In performing the assessments of this risk, the auditor shall consider the internal control related to the preparation of the consolidated financial statements in the ESEF format and its marking-up in order to plan appropriate procedures to provide the auditor with sufficient evidence appropriate to the circumstances. The assessment of the functioning of the internal control system was not carried out in order to express an opinion on the effectiveness of its operation.

Quality control and ethical requirements

We apply the provisions of the regulation of the National Council of Statutory Auditors with regard to internal quality control in the wording of International Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We comply with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants as adopted by resolution of the National Council of Statutory Auditors, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance whether the consolidated financial statements in the ESEF format were marked-up, in all material respects, in compliance with the applicable requirements. Our procedures included in particular:

- obtaining an understanding of the process of preparation of the consolidated financial statements in the ESEF format, including the process of selection and application by the Group of the XBRL tags and ensuring the compliance with the ESEF Regulation, including understanding the mechanism of the internal control system related to this process;
- reconciliation, on a selected sample, of the marked-up information contained in the consolidated financial statements in the ESEF format to the audited consolidated financial statements;

- evaluating of compliance with the technical standards regarding the specification of a single electronic reporting format, including the use of XHTML;
- evaluating the completeness of marking up the consolidated financial statements in the ESEF format using the iXBRL tags;
- evaluating the appropriateness of the use of XBRL tags selected from the taxonomy defined in the ESEF Regulation and whether the extension markups were used appropriately where no suitable element in taxonomy defined in the ESEF Regulation has been identified;
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy from the ESEF regulation;

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, based on the procedures performed, the consolidated financial statements in the ESEF format were marked-up, in all material respects, in compliance with the requirements of the ESEF Regulation.

Statement on the provision of non-audit services

To the best of our knowledge and belief, we declare that the non-audit services we have provided to the Parent Company, its parent company and its subsidiaries are in accordance with the applicable laws and regulations in Poland and that we have not provided any non-audit services prohibited under Article 5(1) of the EU regulation and Article 136 of the Law on Registered Auditors.

The non-audit services which we have provided to the Parent Company and its subsidiaries during the audited period are disclosed in the Report on the Group's operations (page 47).

Appointment

We have been appointed to audit the annual consolidated financial statements of the Group by the Resolution of the Supervisory Board of 22 February 2023. The consolidated financial statements of the Group were audited by us for the first time.

The Key Registered Auditor responsible for the audit on behalf of PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k., a company entered on the list of Registered Audit Companies with the number 144., is Krzysztof Zech.

Krzysztof Zech
Key Registered Auditor
No. 13917

Poznań, 4 April 2024



ARCTIC PAPER

ARCTIC PAPER CAPITAL GROUP

Management Board
report on the operations 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 consolidated annual financial statement in the European Single Electronic Format (ESEF) which is the electronic reporting format in which issuers on EU regulated markets shall prepare their annual financial reports from 1 January 2020 based on Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format as amended. This PDF version of consolidated annual financial statement of Arctic Paper Capital Group has been prepared solely for the convenience of digital reading.

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

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

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

Dear Sirs,

I am pleased to present you the Arctic Paper Group's annual report for 2023.

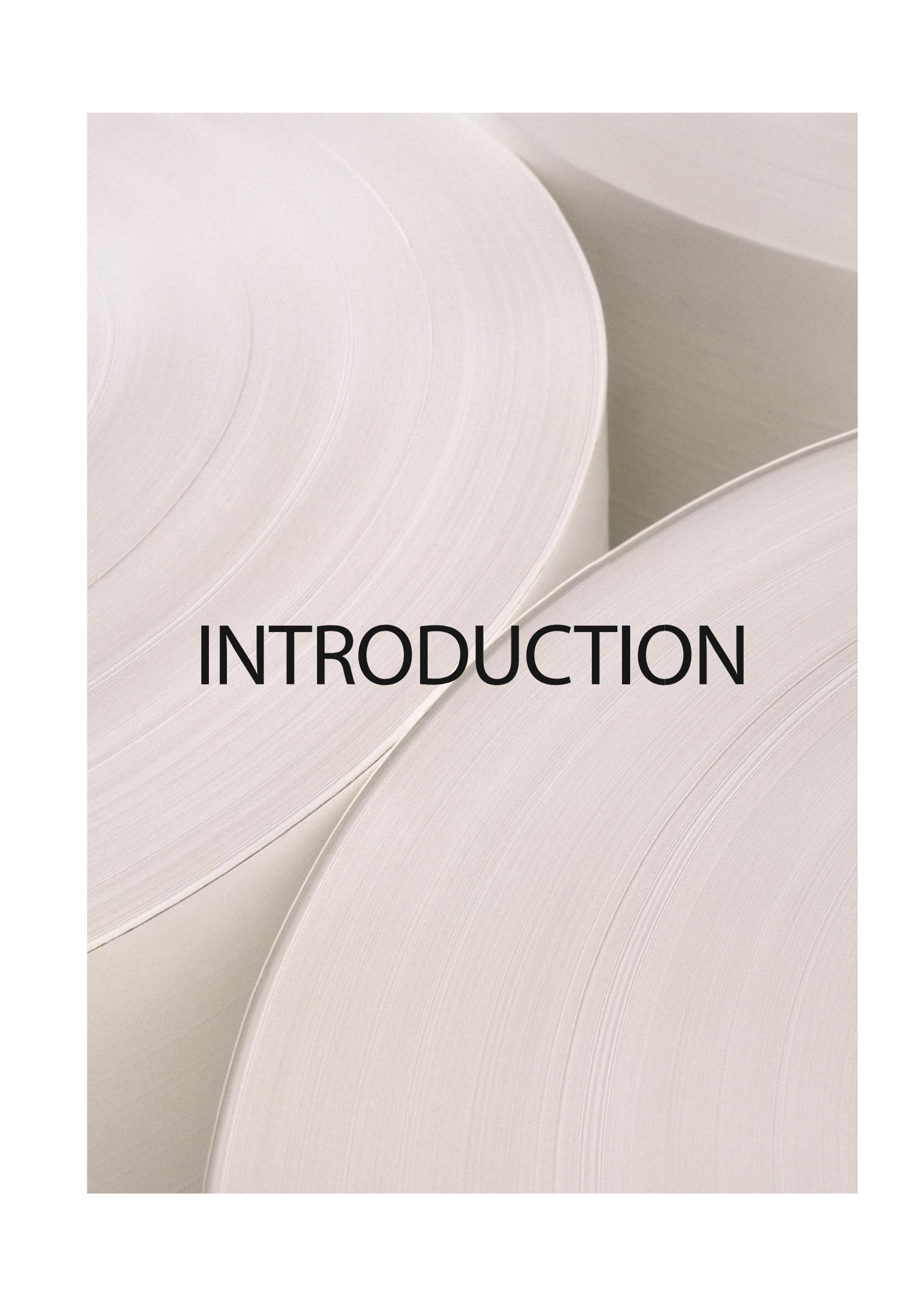
It was another year in when we had to operate in a dynamically changing economic environment. The economic situation, which was very favorable for us in 2022, has changed dramatically and the entire industry has recorded a significant drop in demand and deterioration of results. However, thanks to quick adjustment actions, we achieved very good results even with significantly reduced production. Focusing on the margins achieved, and not on the production volume, brought the expected results. The achieved EBITDA level is the second best result in the history of the Group. It is worth noting the group's very strong financial situation, strong balance sheet and high level of cash flow. This has two benefits, as it both reduces financial costs, especially at the current high interest rate levels, and enables the implementation of an ambitious investment plan related to the implementation of subsequent stages of the 4P strategy. Most of the expenditure is allocated to the development of our two new, promising segments - energy and packaging. In just a few months (June 2024), a photovoltaic installation with a capacity of 17 MW will be launched at the Kostrzyn paper mill, and another one (with a capacity of 9 MW) is in the development phase. This will significantly reduce the carbon footprint of our production. We have started the construction of a new biomass installation for the factory in Grycksbo, which, in addition to generating green thermal energy necessary for paper production, will enable the production of 50,000 tons of wood pellets, which will be sold as green fuel to customers in Germany and France. Consistent implementation of the 4P strategy and the results achieved as a result confirm that the Arctic Paper Group is a reliable and solid partner for its Clients and meets the expectations of shareholders.

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

Sincerely yours,

Michał Jarczyński

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



INTRODUCTION

Information on the report

This Management Board's Report, which is a component of the Consolidated Annual Report for 2023, has been prepared in accordance with the Regulation of the Minister of Finance of 29 March 2018 on current and periodical information disclosed by issuers of securities and conditions of recognition as equivalent of information required by the law of non-member states (Journal of Laws of 2018, item 757).

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

This Management Board's Report presents data in PLN, and all figures, unless otherwise specified, are disclosed in PLN '000.

Definitions and abbreviations

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

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

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

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

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

Definitions of selected terms and financial indicators and abbreviations of currencies

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

EBITDA	Operating profit from continuing operations plus depreciation and amortisation and impairment allowances (Earnings Before Interest, Taxes, Depreciation and Amortisation)
EBITDA profitability, EBITDA margin	Ratio of operating profit plus depreciation and amortisation and impairment allowances to sales income from continuing operations
Gross profit margin	Ratio of gross profit/(loss) to sales revenues from continuing operations
Sales profitability ratio, net profit margin	Ratio of net profit/(loss) to sales revenues
Return on equity, ROE	Ratio of net profit/(loss) to equity income
Return on assets, ROA	Ratio of net profit/(loss) to total assets
EPS	Earnings Per Share, ratio of net profit to the weighted average number of shares
BVPS	Book Value Per Share, Ratio of book value of equity to the number of shares
Debt-to-equity ratio	Ratio of total liabilities to equity
Equity to fixed assets ratio	Ratio of equity to fixed assets
Interest-bearing debt-to-equity ratio	Ratio of interest-bearing debt and other financial liabilities to equity
Net debt-to-EBITDA ratio	Ratio of interest-bearing debt minus cash to EBITDA from continuing operations
EBITDA-to-interest coverage ratio	Ratio of EBITDA to interest expense from continuing operations
Current ratio	Ratio of current assets to short-term liabilities
Quick ratio	Ratio of current assets minus inventory and short-term accruals and deferred income to short-term liabilities
Cash solvency ratio	Ratio of total cash and similar assets to short-term liabilities
DSI	Days Sales of Inventory, ratio of inventory to cost of sales multiplied by the number of days in the period
DSO	Days Sales Outstanding, ratio of trade receivables to sales income from continuing operations multiplied by the number of days in the period
DPO	Days Payable Outstanding, Ratio of trade payables to cost of sales from continuing operations multiplied by the number of days in the period
Operating cycle	DSI + DSO
Cash conversion cycle	Operating cycle – DPO
FY	Financial year
Q1	1st quarter of the financial year
Q2	2nd quarter of the financial year

Q3	3rd quarter of the financial year
Q4	4th quarter of the financial year
H1	First half of the financial year
H2	Second half of the financial year
YTD	Year-to-date
Like-for-like, LFL	Analogous, with respect to operating result.
p.p.	Percentage point, difference between two amounts of one item given in percentage
PLN, zł, złoty	Monetary unit of the Republic of Poland
gr	grosz – 1/100 of one zloty (the monetary unit of the Republic of Poland)
Euro, EUR	Monetary unit of the European Union
GBP	Pound sterling, monetary unit of the United Kingdom
SEK	Swedish Krona – monetary unit of the Kingdom of Sweden
USD	United States dollar, the legal tender in the United States of America
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IFRS EU	International Financial Reporting Standards endorsed by the European Union
GDP	Gross Domestic Product

Other definitions and abbreviations

Series A Shares	50,000 shares of Arctic Paper S.A. A series ordinary shares of PLN 1 each
Series B Shares	44,253.500 shares of Arctic Paper S.A. B series ordinary shares of PLN 1 each
Series C Shares	8,100.000 shares of Arctic Paper S.A. C series ordinary shares of PLN 1 each
Series E Shares	3,000.000 shares of Arctic Paper S.A. E series ordinary shares of PLN 1 each
Series F Shares	13,884.283 shares of Arctic Paper S.A. F series of the nominal value of PLN 1 each
Shares, Issuer's Shares	Series A, Series B, Series C, Series E, and Series F Shares jointly

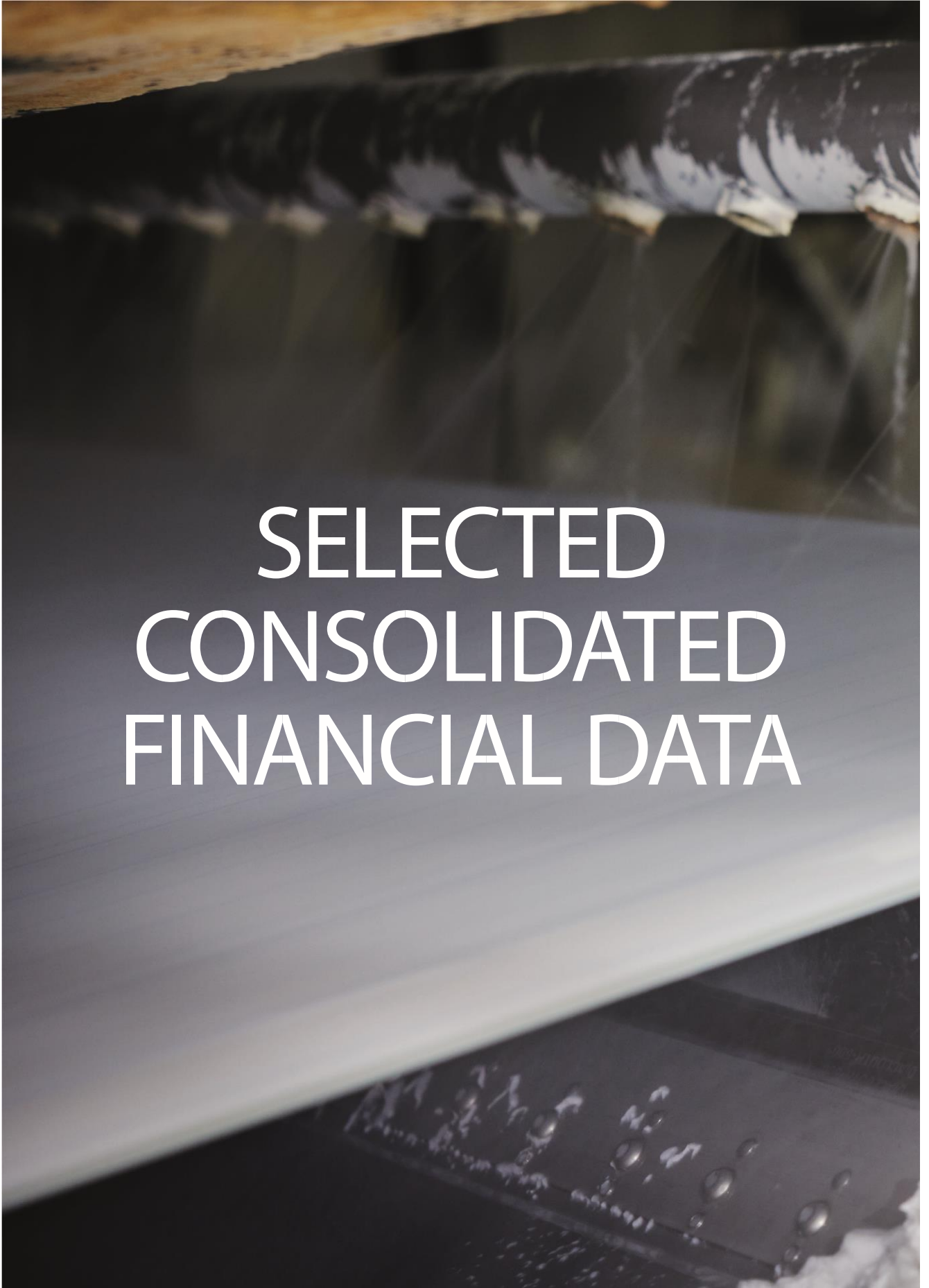
Forward-looking statements

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

Forward-looking statements relating to risk factors

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

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



SELECTED CONSOLIDATED FINANCIAL DATA

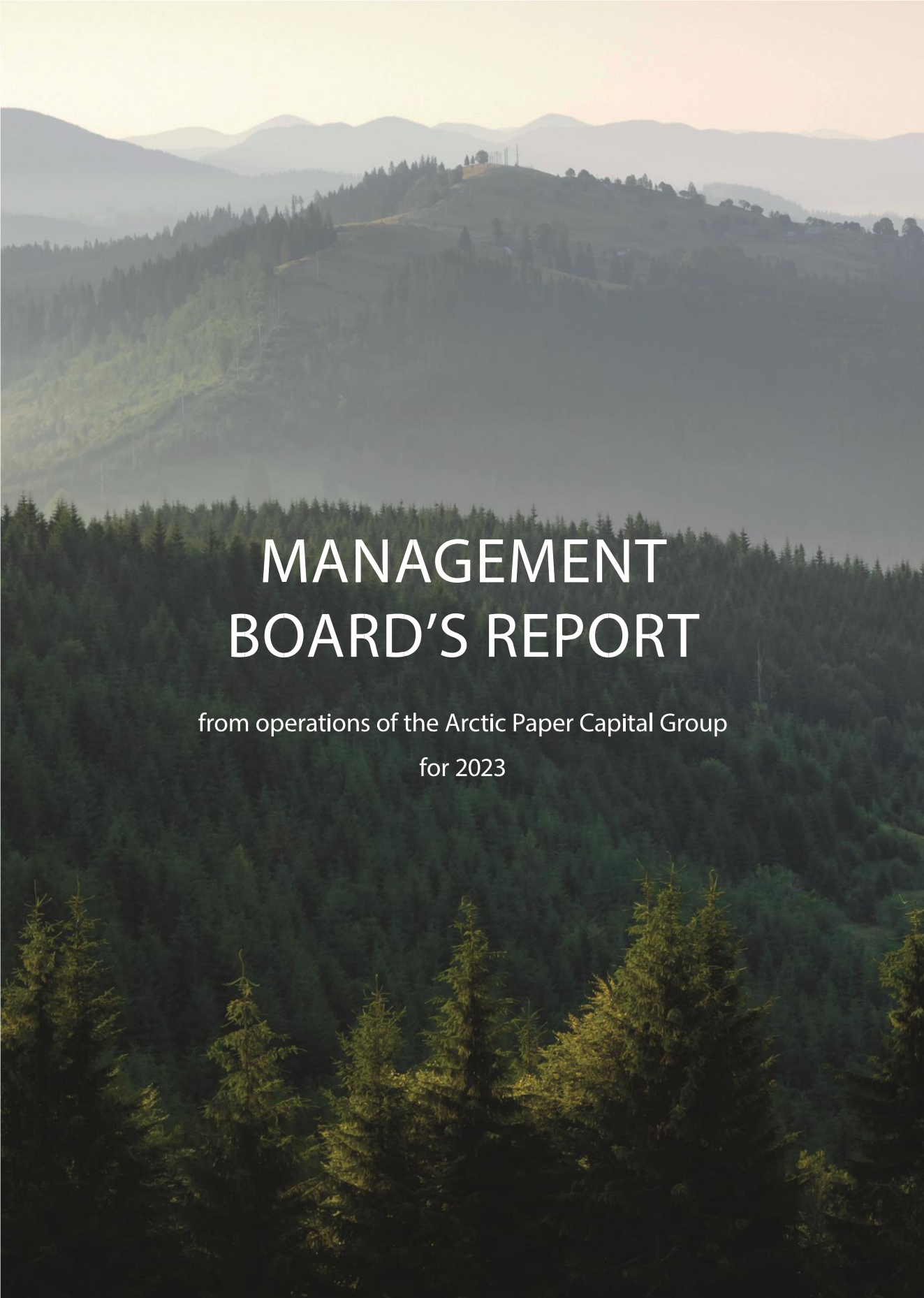
Selected consolidated financial data

	Period from 01.01.2023 to 31.12.2023 PLN '000	Period from 01.01.2022 to 31.12.2022 PLN '000	Period from 01.01.2023 to 31.12.2023 EUR '000	Period from 01.01.2022 to 31.12.2022 EUR '000
Continuing operations				
Sales revenues	3 549 153	4 894 276	781 121	1 043 934
Operating profit/(loss)	357 068	842 979	78 586	179 805
Gross profit/(loss)	340 917	927 577	75 031	197 849
Net profit/(loss) for the period	272 388	756 822	59 949	161 428
Net profit/(loss) attributable to the shareholders of the Parent Entity	247 132	631 001	54 390	134 591
Net cash flows from operating activities	471 204	607 383	103 706	129 553
Net cash flows from investing activities	(146 720)	(155 879)	(32 291)	(33 249)
Net cash flows from financing activities	(288 934)	(124 588)	(63 591)	(26 574)
Change in cash and cash equivalents	35 550	326 916	7 824	69 730
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)	3,57	9,11	0,78	1,94
Diluted EPS (in PLN/EUR)	3,57	9,11	0,78	1,94
Mean PLN/EUR exchange rate*			4,5437	4,6883

	As at 31 December 2023 PLN'000	As at 31 December 2022 PLN'000	As at 31 December 2023 EUR'000	As at 31 December 2022 EUR'000
Assets	2 722 877	3 254 485	626 237	693 935
Long-term liabilities	279 753	395 397	64 341	84 308
Short-term liabilities	641 616	806 906	147 566	172 052
Equity	1 801 508	2 052 182	414 330	437 575
Share capital	69 288	69 288	15 936	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)	26,00	29,62	5,98	6,32
Diluted book value per share (in PLN/EUR)	26,00	29,62	5,98	6,32
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.

** – Balance sheet items and book value per share have been translated at the mean arithmetic exchange rates published by the National Bank of Poland, prevailing on the balance sheet date.



MANAGEMENT BOARD'S REPORT

from operations of the Arctic Paper Capital Group
for 2023

Description of the business of the the Arctic Paper S.A. Group

General information

The Arctic Paper Group is a paper and pulp producer. We offer voluminous book paper and a wide range of products in this segment, as well as high-grade graphic paper. The Group produces numerous types of uncoated and coated wood-free paper as well as wood-containing uncoated paper for printing houses, paper distributors, book and magazine publishing houses and the advertising industry. In connection with acquisition of the Rottneros Group in December 2012, the Group's assortment was expanded with the production of pulp. As at 31 December 2023, the Arctic Paper Group employs over 1,500 people in its Paper Mills, companies involved in sale of paper and in pulp producing companies, procurement office and a company producing food packaging. Our Paper Mills are located in Poland and Sweden, and have total production capacity of over 695,000 tonnes of paper per year. Our Pulp Mills located in Sweden have aggregated production capacities of over 400,000 tonnes of pulp annually. As at 31 December 2023, the Group had 13 Sales Offices ensuring access to all European markets, including Central and Eastern Europe. Our consolidated sales revenues for 12 months of 2023 amounted to PLN 3,549 million.

Arctic Paper S.A. is a holding company set up in April 2008. The Parent Entity is entered in the register of entrepreneurs of the National Court Register maintained by the District Court in Zielona Góra, 8th Commercial Division of the National Court Register, under KRS number 0000306944. The Parent Entity holds statistical number REGON 080262255. The Company has a foreign branch in Göteborg, Sweden.

Business activity

The principal business of the Arctic Paper Group is production and sales of paper and pulp. The Group's additional business, partly subordinate to paper and pulp production, covers:

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

Our production facilities

As on 31 December 2023, as well as on the day hereof, the Group owned the following Paper Mills:

- the Paper Mill in Kostrzyn nad Odrą (Poland) has the production capacity of about 315,000 tonnes per year and mainly produces uncoated wood-free paper for general printing use such as printing books, brochures and forms, and for producing envelopes and other paper products;
- the Paper Mill in Munkedal (Sweden) has the production capacity of about 160,000 tonnes and mainly produces fine uncoated wood-free paper used primarily for printing books and high-quality brochures;
- the Paper Mill in Grycksbo (Sweden) has the production capacity of about 220,000 tonnes per year and produces coated wood-free paper used for printing maps, books, magazines, posters and printing of advertising materials.

As on 31 December 2023, as well as on the day hereof, the Group owned the following Pulp Mills:

- the Rottneros mill (Sweden) has a production capacity of around 160,000 tonnes per year and produces one type of mechanical fibre pulp: chemi-thermo mechanical pulp (CTMP);
- the Pulp Mill in Vallvik (Sweden) has the annual production capacity of about 240,000 tonnes and produces two types of long-fibre sulphate pulp: fully bleached sulphate pulp and unbleached sulphate pulp. The most of Vallvik Pulp Mill production is

known as NBSK pulp. The unbleached sulphate pulp produced by the Pulp Mill is characterised by very high purity and is primarily used to produce transformers and in cable industry.

Our products

The product assortment of the Arctic Paper Group covers:

— Uncoated wood-free paper, in particular:

- › white offset paper that we produce and distribute primarily under the Amber brand which is one of the most versatile types of paper destined for various applications;
- › woodfree bulky book paper that we produce under the Munken brand, used primarily for book printing;
- › high quality graphic paper with a particularly smooth or rough surface, used for printing various advertising and marketing materials, which we produce under the Munken Design brand;

— Coated wood-free paper, in particular:

- › coated woodfree paper, manufactured under the G and Arctic Volume brands, used primarily for printing of books, magazines, catalogues, maps, personalised direct mail correspondence.

— Uncoated wood-containing paper, in particular:

- › premium wood containing bulky book paper that we produce and distributed under the Munken brand, was developed specially for multi-colour and B/W printing of books;

— Packaging papers

- › kraft paper, which is manufactured under the brand name Munken Kraft
- › one side coated packaging papers produced under the brand name G-Flexmatt

Both grades are ideal for a wide range of packaging applications, such as shopping bags, bags for loose food, packaging or laminates used in the food or non-food industry.

— Unbleached sulphate pulp

- › fully bleached sulphate pulp and unbleached sulphate pulp used primarily to produce printing and writing paper, cardboard, toilet paper and white packaging paper.

— Mechanical fibre pulp

- › chemi-thermo mechanical pulp (CTMP), which is mainly used in the production of printing and writing paper;

Capital Group structure

The Arctic Paper Capital Group comprises Arctic Paper S.A., as the Parent Entity, and its subsidiaries, as well as joint ventures. Since 23 October 2009, Arctic Paper S.A. has been listed on the primary market of Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange) and since 20 December 2012 in the NASDAQ stock exchange in Stockholm. The Group operates through its Paper Mills and Pulp Mills and its subsidiary producing packaging as well as its sales Offices and Procurement Offices.

Detailed information on the organisation of the Arctic Paper Capital Group with identification of the consolidated entities is provided in the section 'Accounting principles (policies)' and in note to the consolidated financial statements (note 1 and 2).

Changes in the capital structure of the Arctic Paper Group

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

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 of approval of this report.

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%
<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%

The data in the above tables 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.

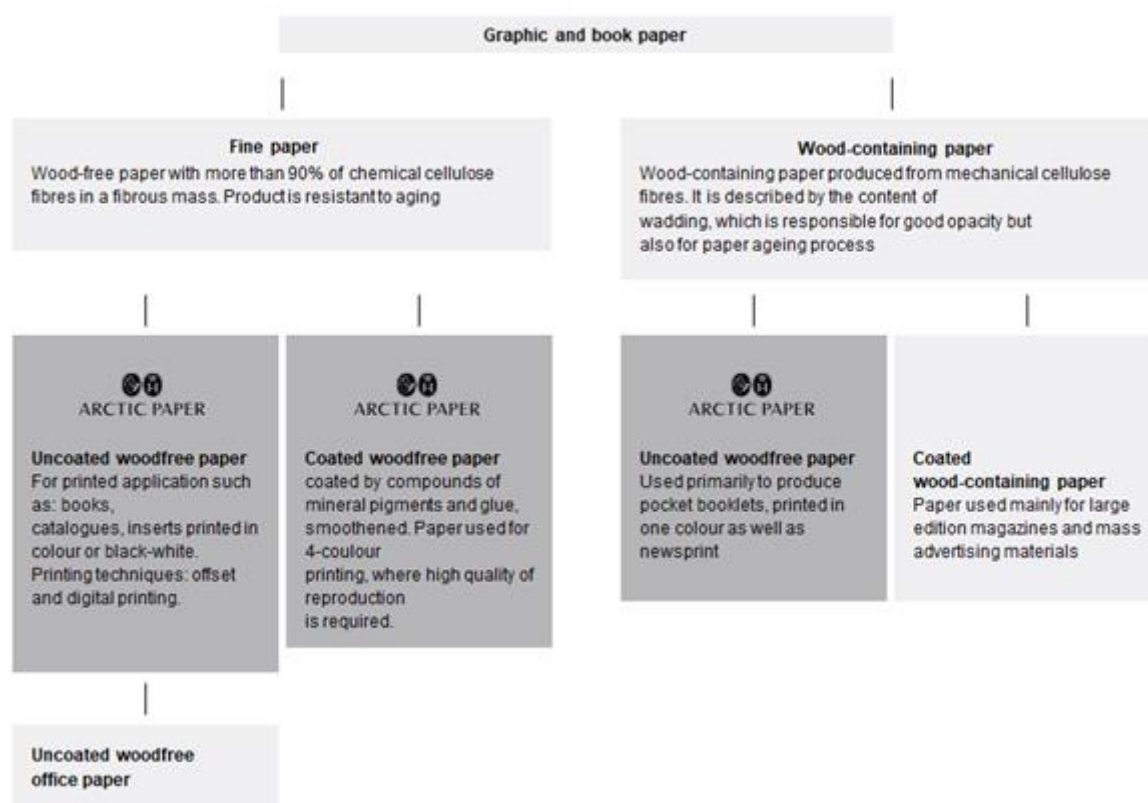
Market environment

Segments of the graphic paper market

The graphic paper market is split into three core segments:

- coated and uncoated fine paper,
- coated and uncoated wood-containing paper,
- magazine paper.

The Group operates solely in the segment of high quality graphic papers. We are not present in the newsprint and photocopy paper segments.



Below is a description of segments in the graphic market:

- fine paper is wood-free paper where minimum 90% of fibre mass is pulp fibres obtained with chemical methods:
 - › uncoated wood-free paper made of pulp. It may be subject to additional processing like surface sizing, calendering, surface or mass dyeing;
 - › two core categories of the paper include graphic paper (used e.g. to print books, handbooks and catalogues) and office copying paper;
 - › coated wood-free paper made of pulp is subject to coating with pigment and glue mixtures (kaolin, calcium carbonate). The coating may be performed on paper machines (online) or outside paper machines (offline). Coating of paper improves its smoothness and transparency of the background, improves the quality of colour reproduction.

— wood-containing paper is most often manufactured of mechanical pulp or recycled-paper pulp, without or with small quantities of filler. It contains lignin which increases the opacity of the paper but accelerates ageing.

- › uncoated wood-containing paper is manufactured of mechanical pulp, used to print magazines with rotogravure and offset techniques (newsprint) and to print single-colour publications. Products of the Group in that segment are usually used to print paperbacks;
- › coated wood-containing paper is manufactured of mechanical pulp, it is double coated. It is used to print multi-colour magazines and catalogues.

In that product group there is e.g.: SC (Super Calendered), MFC (Machine Finished Coated), LWC (Light Weight Coated), ULWC (Ultra-Light Weight Coated) MWC (Medium Weight Coated). The paper in the form of rolls is used for heat-set printing.

Additional information on the market environment is provided further in this report in the section: Information on market trends.

Packaging paper market segments in which Arctic Paper operates:

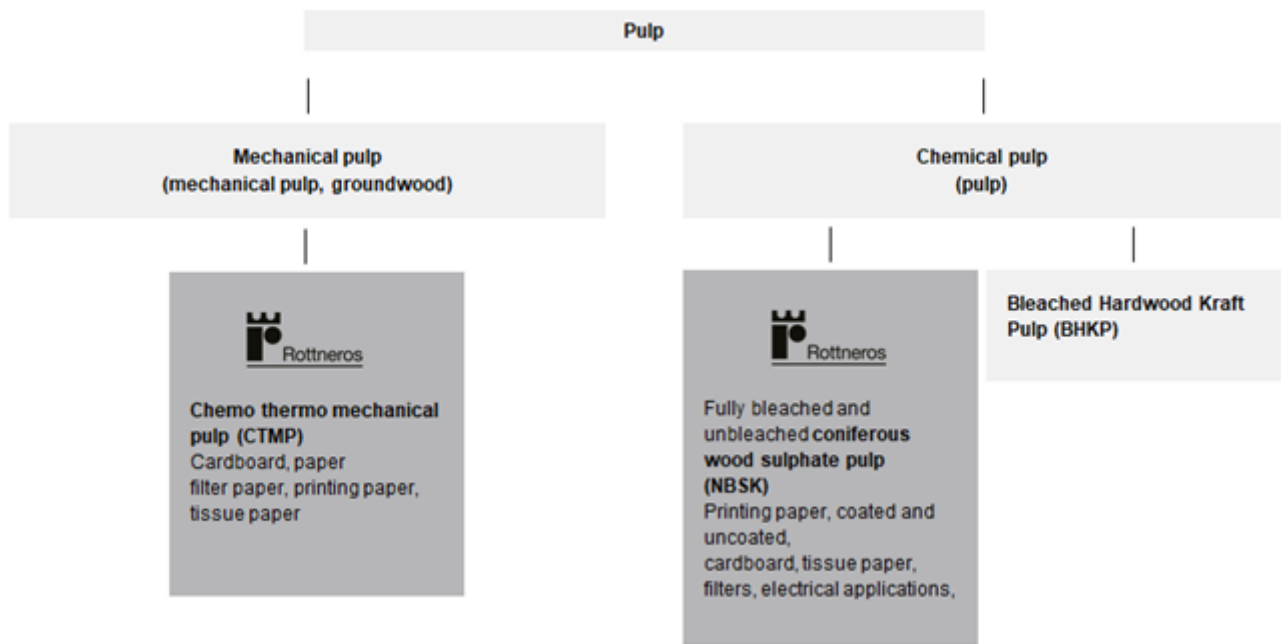
The packaging paper market, where Arctic Paper operates, is divided into two basic segments:

- Kraft paper, which is divided into bleached, unbleached and recycled fibre papers;
- packaging papers coated on one side.

The Group operates exclusively in the segment of machine-finished kraft paper and one-side coated matt surface packaging. We are not present in the other segments.



Segments of the pulp market



Since December 2012, along with the acquisition of Rottneros AB, our assortment has been expanded by:

- fully bleached sulphate pulp and unbleached sulphate pulp used primarily to produce printing and writing paper, cardboard, toilet paper and white packaging paper;
- chemi-thermo mechanical pulp (CTMP), which is mainly used in the production of printing and writing paper.

Market situation and strategy of the Group in 2023

The year 2023 was a period of market challenges for the Arctic Paper Group. The market situation has become radically different from that of 2022. Demand for paper and pulp decreased significantly, which was reflected in lower capacity utilisation and financial performance. The inflationary environment posed further challenges to effective profitability management. Despite such an unfavourable market environment, the Group achieved very good results. It recorded its second-best result in its history, maintained a strong balance sheet and consistently pursued its strategy of developing two new segments – packaging and energy.

Sales structure

In 2023 and in 2022, the sales structure by main product lines was as follows:

<i>PLN '000</i>	2023	% share	2022	% share
<i>Paper</i>	2 460 441	69%	3 579 803	73%
Amber	1 047 941	30%	1 683 656	34%
G-Print	604 247	17%	497 935	10%
Munken	549 767	15%	729 265	15%
Arctic	217 431	6%	604 141	12%
AP Tech	41 031	1%	64 141	1%
Other	24	0%	664	0%
<i>Pulp</i>	1 088 712	31%	1 314 473	27%
NBSK and derivatives	984 514	28%	781 383	16%
Groundwood	-	0%	150 994	3%
CTMP	47 543	1%	285 793	6%
Other	56 655	2%	96 303	2%
Total paper and pulp	3 549 153	100%	4 894 276	100%

<i>thousand tonnes</i>	2023	% share	2022	% share
<i>Paper</i>	431	55%	617	61%
Amber	190	24%	296	29%
G-Print	111	14%	91	9%
Munken	82	10%	108	11%
Arctic	39	5%	110	11%
AP Tech	8	1%	11	1%
Other	-	0%	-	0%
<i>Pulp</i>	356	45%	389	39%
NBSK and derivatives	235	30%	220	22%
Groundwood	-	0%	56	6%
CTMP	121	15%	113	11%
Total paper and pulp	787	100%	1 006	100%

In 2023 there were no material changes to the sales structure of paper and pulp by the Group or in the revenue structure from sales of paper and pulp by the Group by its products. In 2023, there is a quantitative decrease and a quantitative increase in paper and pulp sales.

Markets

In 2023 the share of Group sales outside Poland was 83% compared to 2022 (83%). This year, similarly to previous years, sales were focused on European markets. The share of those markets in the overall value of sales was 99% in 2023 (2022: 98%).

The geographical structure of sales revenues by the main markets in 2023 and in 2022 is presented in note 10.1 to the consolidated financial statements.

Buyers

The base of our customers covers both direct and indirect buyers. Direct buyers purchase the Group's products from our Paper Mills. Indirect buyers do not buy the Group's products on their own and they resort to the services of printers or paper merchants, nevertheless, they constitute an important target group of marketing activities of Arctic Paper since it is indirect buyers that recommend and prescribe the Group's papers to direct buyers. The groups of direct and indirect buyers of products include:

- printing houses – they are direct buyers straight from the Group's Paper Mills,
- wholesalers – they are direct buyers of paper manufactured by the Group for further re-sale,
- publishers – they are direct and indirect buyers of paper manufactured by the Group straight from the Group for their publishing business and instruct or recommend the use of our paper to printing houses to which they commission the printing of books and other publications,
- advertising agencies – they are mainly indirect buyers that do not buy our products directly; however, they play an important role in commissioning and recommending our products to printing houses, in particular high quality paper to print annual reports of companies, brochures, leaflets and packaging,
- end users and brand owners – those are direct and indirect buyers that buy our products directly; they also play an important role in commissioning and recommending our products to printing houses to which they commission printing services.

Pulp Mill products are mainly bought by customers that produce paper for printing, paper hygienic products and cardboard as well as electrical devices and filters. Pulp is supplied to entities that do not have the capacity to produce pulp by themselves and to buyers that produce certain types of pulp and look for suppliers of other types of pulp.

In our opinion, we are not materially dependent on any single specific buyer. The Group's consolidated revenues for 2023 show that the share of the largest buyer did not exceed 12% of total sales revenues.

Vendors & Suppliers

In its business, the Group relies on the following goods and services:

- Pulp for Paper Mills,
- Wood for Pulp Mills,
- Chemicals,
- Electricity,
- Transport services.

Pulp

Pulp is the core material used by the Group to produce paper. The Group acquires pulp on the basis of revolving annual contracts concluded under framework agreements or one-off transactions.

Wood

Wood is the core material used by the Pulp Mills to produce pulp. The Rottneros Group has a procurement department placing orders with sawmills in Sweden as well as its subsidiary company – SIA Rottneros Baltic, purchasing wood in the Baltic states.

Chemicals

The core chemicals used to produce papers are fillers (mainly calcium carbonate), starch (of maize, potatoes, tapioca), optical bleaching agents and other chemicals. Chemicals are also used to produce cellulose.

Electricity

In its production processes, the Group uses electricity and heat energy. The entire demand for electricity and heat energy for the Paper Mill in Kostrzyn is covered with its own heat and power plant using natural gas. The gas is supplied pursuant to a contract with a Polish supplier (PGNiG) at annual indexed prices in line with changes to the sectoral indicators published by GUS [Central Statistical Office of Poland] subject to negotiations of the indexation formula when the contractual change levels are exceeded. Gas is acquired from deposits located close to Kostrzyn nad Odrą and delivered to the Paper Mill with a local pipeline.

In autumn 2022, a new boiler designed to generate steam from waste fuels was commissioned at the Arctic Paper Munkedals mill. The boiler is designed to handle any solid fuel. The paper mill is also powered by electricity from an internal hydroelectric power station, mains electricity and steam from a natural gas boiler.

Energy for the Paper Mill Arctic Paper Grycksbo is obtained from biomass and electricity is partly acquired from external suppliers.

The Rottneros Pulp Mill covers its entire demand for electricity with purchases from external suppliers.

The Vallvik Pulp Mill provides for about 75% of its demand for electricity with its own resources. The remaining demand for electricity is covered with purchases from external suppliers.

Transport services

The Group does not operate its own means of transportation and resorts to specialised external entities for distribution of its products from Paper Mills and warehouses to buyers.

Entities in the Group are not dependent on those suppliers. The Group's consolidated costs for 2023 show that the share of the largest service provider did not exceed 10% of total costs.

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 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. During the period covered by this report, the paper and pulp mills carried out development work aimed at improving the production process, reducing energy and raw material consumption and optimising the cost of the production process.

Labour matters

Matters concerning the Group's employees are described in detail in the document "Non-financial information of the Arctic Paper S.A. Capital Group" published separately – Social Responsibility Report 2023".

Natural environment

Our Group complies with environmental standards set forth in numerous applicable regulations and in administrative decisions. The standards are aimed at ensuring protection of soil, air and water against pollution as well as noise and electromagnetic fields. Below, we provide a description of how environmental regulations affect the operations of our Paper Mills and Pulp Mills:

Kostrzyn Paper Mill

Pursuant to a decision of the Governor of the Lubuskie Province of 8 December 2005, Kostrzyn obtained an integrated permit to operate a paper production installation with a fuel combustion installation at the facility in Kostrzyn nad Odrą. In the case of Kostrzyn, the need for such permit was due to its paper production capacity in excess of 20 tonnes per day. This permit has been updated many times, adjusting the plant to the applicable legal requirements. The last update took place on 8 November 2023 by the decision of the Marshal of the Lubuskie Province.

The condition for receiving the integrated permit is that the installation meets the environmental protection requirements resulting, among others, from best available techniques (BAT). Operation in accordance with the conditions laid down in the permit ensures compliance with the legally prescribed environmental parameters.

In order to comply with the requirements specified in the environmental permit and other environmental standards related to waste management, Kostrzyn has entered into a number of contracts covering collection and management of production waste.

In May 2008, an industrial wastewater treatment plant was opened at the Kostrzyn nad Odrą site. Pursuant to a decision of the Governor of the Lubuskie Province of 14 August 2007, Kostrzyn obtained a water law permit to discharge rainwater and melt water and to construct a discharge dock to the River of Warta (valid until 1 August 2017). In 2017, a new water law permit was obtained to discharge rain and melt water, valid until 25 June 2027. On 8 December 2016, Arctic Paper Kostrzyn S.A. obtained, also, a Water Law Permit for discharging snowmelt and rainwater into the Warta River valid until 7 December 2026, while revoking the permit of 25.06.2013.

AP Kostrzyn participates in the EU Emissions Trading System (ETS) for greenhouse gases. A permit to emit greenhouse gases was obtained by AP Kostrzyn pursuant to a decision of the Governor of the Lubuskie Province of 9 November 2016 for the paper production installation with the production capacity in excess of 20 tonnes per day located in the facility in Kostrzyn nad Odrą (as

amended on 26.02.2019, 14.04.2020 and 24.03.2022). This authorisation was granted for an indefinite period. In connection with the permit, Kostrzyn is obliged to monitor the volumes of CO2 emissions and to file annual report on the emissions.

With environmental protection in mind, the Arctic Paper Kostrzyn mill has invested in modern and efficient energy solutions. The CHP plant was modernised in 2007 and 2009 and now runs on natural gas, a much cleaner fuel than oil and coal. Thanks to this it has significantly reduced CO2 emissions into the environment.

The fight against global warming is one of the greatest challenges for the future.

Arctic Paper Kostrzyn S.A. contributes to positive change and the search for long-term sustainable alternatives to today's energy solutions. In 2019, solar cell testing began at our paper mill in Kostrzyn. The first stage was a pilot PV installation in late 2019 / early 2020. The next stage was the expansion of the above PV installation completed in H1 2021 and the commissioning of another unit at the beginning of H2 2021. The results of the above allowed the selection of appropriate technological and operational aspects, the determination of the impact of the PV installation on the electricity grid and the knowledge of the estimated efficiency under our climatic conditions. At present, Arctic Paper Kostrzyn S.A. is taking steps to improve its energy efficiency, so it is continuing preparatory activities for the construction of further modules of the photovoltaic installation together with the accompanying infrastructure.

The Paper Mill in Kostrzyn nad Odrą holds compliance certificates with the following standards: ISO 45001, ISO 14001, ISO 9001. It publishes an annual publicly available EMAS environmental report, providing an assessment of the environmental impact of its activities. In addition, paper produced at APK S.A. has been certified to meet FSC® chain of custody certification and PEFC™ chain of custody certification for products containing wood raw materials. The certificates are to document that the pulp used to produce the paper comes from forests used in a sustainable manner. The FSC (Forest Stewardship Council) certificate is a major certificate granted to paper producing companies. In 2006, the first FSC certificate was granted to the paper manufactured at AP Kostrzyn. At present, the Kostrzyn nad Odrą mill uses FSC-certified pulp and PEFC-certified pulp (Programme for the Endorsement of Forest Certification) for the production of Amber and Munken Kraft paper.

Munkedals Paper Mill

The business of Munkedals is subject to environmental management systems EMAS and ISO 14001. EMAS (Eco-Management and Audit Scheme) is a voluntary system applied by the European Union which applies to enterprises outstanding for their constantly improved environmental protection level within their business. Companies registered with EMAS comply with environmental protection regulations, maintain an environmental management system and publish information on environmental protection in their business in the form of a separate verified statement on compliance with environmental protection regulations. ISO, International Standards Organisation, has been developing various standards. ISO 14000 is a group of one of the best known environmental management standards (i.e. activities undertaken by entrepreneurs in order to reduce the harmful impact of their activities on the environment and ensure continuous improvement of the level of environmental protection).

Certain properties owned by Munkedals are located in the Natura 2000 area. Areas in the Natura 2000 constitute wild nature reservations established on the basis of a decision of the District Council of Munkedal (Sweden) in 2005. The objective to establish the Natura 2000 network was to preserve the natural habitats and vegetation and animal species most endangered with extinction all over Europe. The extent of the coverage and the restrictions concerning business operations are set forth in the Council Directive 92/43/EEC on the conservation of natural habitats and of wild fauna and flora (Habitat Directive) and in the Council Directive 79/409/EEC on the conservation of wild birds (Birds Directive) of 2 April 1979 and the applicable domestic regulations. The protection level of habitats and birds in Natura 2000 areas is subject to the occurrence of specific species and/or habitats that are protected.

On 24 June 2020, the entire range produced at the Munkedals factory was certified by the Cradle to Cradle Products Innovation Institute (C2CPPI). A recertification was carried out in 2023. The entire production process of the paper mill in Munkedal has been audited and has reached the bronze level which is the overall level of product certification. The Cradle to Cradle Certified™ program is an internationally recognised standard for safe and sustainable development. It assesses the environmental impact of products throughout their life cycle. Designing according to "Cradle to Cradle" principles means not only minimising the negative impact on the environment, but above all leaving a positive footprint.

Grycksbo Paper Mill

Paper production in the Paper Mill Arctic Paper Grycksbo AB has been carried out in compliance with the environmental permit of March 2007. The permit was issued by the Swedish Environmental Protection Tribunal for the production of up to 310,000 tonnes annually. Additionally, the Paper Mill holds a CO₂ emission permit issued by the regional authorities of the province of Dalarna.

Since 1997 Arctic Paper Grycksbo AB has held an ISO 14001 certificate and our environmental activities are reported in compliance with EMAS. The core objective of EMAS is to encourage its member companies to enhance their efforts to protect the natural environment in a systematic and consistent manner, to an extent even beyond legislative requirements. This is achieved by establishing a programme composed of specific action plans and assessment of all effects for the environment resulting from the activities pursued. Companies are obliged to prepare annual reports on the results of their pro-environmental activities. Independent inspectors ensure that companies comply with their obligations.

Arctic Paper Grycksbo AB participates in the EU Emissions Trading System (ETS) for greenhouse gases. 2010 was the first year when zero CO₂ emissions from fossil fuels were declared. That was made possible as a result of a reconstruction of the boiler combined with an investment in equipment to handle biofuels, electrical filters for flue gas particles and reconstruction to turbine generating electricity from renewable sources.

In numbers, the switch to biofuels means annual reduction of CO₂ emissions from fossil fuels by about 70,000 tonnes. The reconstructed turbine provides for 10% of demand for electricity by the Paper Mill with renewable energy sources that it generates itself which in turn results in reduction of CO₂ emissions by another 4,000 tonnes. In 2022, the paper mill invested in a 0.5MWh solar power plant.

The Paper Mill has implemented an energy management system in compliance with ISO 50001 (Energy Management System). Our products are verified within the "Chain of Custody" in compliance with FSC (Forest Stewardship Council) and in compliance with PEFC (Programme for the Endorsement of Forest Certification) as well as they meet the requirements of the standards of Nordic Ecolable (the Nordic Swan).

The paper mill received Cradle to Cradle certification in April 2021.

Pulp Mills

Environmental issues are central to Rottneros' corporate culture and are part of the DNA of the entire Group. Products from the forest are part of the climate solution, and improving environmental performance is a daily job. The Group's long-term goal is to eliminate fossil fuels altogether.

Rottneros is in the business of being part of the solution to global warming. A growing forest absorbs CO₂ and is thus stored in the products made from it. In many places, intensive research is being conducted to develop new products that replace fossil raw materials with bio-based raw materials.

Rottneros does not own any forest, but contributes to sustainable forestry in many ways. Both of the Group's sites have environmental management systems and are certified to ISO 14001. The environmental management system includes well established procedures for inspection, sampling and dealing with deviations.

Suppliers and raw materials are carefully selected. The Rottneros Group is FSC® and PEFC™ certified and in 2023 purchased raw materials only from FSC® certified suppliers.

The company's efficient use of raw materials in production provides environmental and economic benefits. The Rottneros plant uses around 95% of the raw material. At the Vallvik plant, around 45% of the raw material becomes pulp. Waste products from production are mainly used as energy.

To reduce the environmental impact of transport, the raw material is purchased locally. The Vallvik mill buys around 50% and Rottneros around 75% of its pulp from sources within a 100 kilometre radius. Through proper planning and coordination, we reduce transport distances within the Group and transport from other companies.

Rottneros' production processes involve various risks that affect the environment. The Rottneros plant has a mechanical production process, and the biggest environmental risks are energy consumption and water emissions. Energy consumption is significant, and the focus has been on reducing dependence on fossil fuels through the design of more efficient equipment and product reformulation.

At the Vallvik plant, where cellulose is produced using chemical processes, chemical treatment and emissions to water and air pose the greatest environmental risk. In order to protect the environment and prevent any violations of applicable emission regulations and requirements, the Group has a continuous sampling system with alarm functions linked to plant control systems. In addition, random hand samples are taken.

The Group's long-term goal is to become free of fossil fuels. The plan is for production to be completely free of fossil fuels by 2030. The only challenge that remains is replacing the fossil fuels used to start production, especially at the Vallvik plant, combined with production interruptions and planned maintenance shutdowns. Another challenge that still remains is to ensure that the electricity purchased comes from fossil fuel-free sources.

Eliminating indirect CO₂ emissions that occur outside the gates of operations is another long-term challenge to complete freedom from fossil fuels. This aspect mainly concerns vehicles used to transport deliveries to and from factories.

It is Group policy that all employees in relevant positions must have the necessary environmental knowledge. The Group's senior environmental staff are constantly undergoing further training.

Both factories are certified to management standards and have achieved ISO 50001 certification. A key element of this effort has been the creation of an energy management group that actively works on energy-related issues, including conducting energy management audits in factories.

Summary of the consolidated financial results

Selected items of the consolidated statement of profit and loss

PLN '000	2023	2022	Change % 2023/2022
Continuing operations			
Sales revenues	3 549 153	4 894 276	(27.5)
<i>of which:</i>			
<i>Sales of paper</i>	<i>2 460 441</i>	<i>3 579 803</i>	<i>(31.3)</i>
<i>Sales of pulp</i>	<i>1 088 712</i>	<i>1 314 473</i>	<i>(17.2)</i>
Profit on sales	745 684	1 410 757	(47.1)
% of sales revenues	21.01	28.82	(7.8) p.p.
Selling and distribution costs	(340 973)	(445 197)	(23.4)
Administrative expenses	(124 077)	(138 766)	(10.6)
Other operating income	129 397	85 778	50.9
Other operating expenses	(52 963)	(69 593)	(23.9)
EBIT	357 068	842 979	(57.6)
% of sales revenues	10.06	17.22	(7.2) p.p.
EBITDA	475 304	973 973	(51.2)
% of sales revenues	13.39	19.90	(6.5) p.p.
Financial income	15 069	92 767	(83.8)
Financial expenses	(31 220)	(8 169)	282.2
Gross profit/(loss)	340 917	927 577	(63.2)
Income tax	(68 528)	(170 755)	(59.9)
Net profit/(loss)	272 388	756 822	(64.0)
% of sales revenues	7.67	15.46	(7.8) p.p.
Net profit/(loss) for the reporting period attributable to the shareholders of the Parent Entity	247 132	631 001	(60.8)

Revenues

In 2023, consolidated sales revenues reached PLN 3,549,153 thousand compared to PLN 4,894,276 thousand in the previous year and decreased by 27.5% (PLN 1,345,123 thousand). Revenues from paper sales decreased by 31.3% (PLN 1,119,361 thousand) and revenues from pulp sales decreased by 17.2% (PLN 225,762 thousand) compared to 2022.

The volume of paper sales in 2023 was 431 thousand tonnes (2022: 617 thousand tonnes) and was 217 thousand tonnes lower than in the previous year. This means a decrease in sales volume by 30.2%.

Pulp sales volumes in 2023 were 356 thousand tonnes (2022: 389 thousand tonnes) and was 36 thousand tonnes lower than in the previous year. This means a decrease in sales volume by 9.2%.

Profit on sales, costs of sales, selling and distribution costs, and administrative expenses

Profit on sales in 2023 was by 47.1% lower than in the previous year. Sales profit margin in the current year stood at 21.01% compared to 28.82% (-7.8 p.p.) in the previous year.

The decrease in profit on sales in 2023 compared to 2022 was primarily due to a decrease in sales volumes of both paper and pulp due to reduced market demand.

In 2023, the selling and distribution costs amounted to PLN 340,973 thousand, down 23.4% on 2022. The selling and distribution costs comprise particularly transportation costs.

In 2023, administrative expenses reached PLN 124,077 thousand, compared to PLN 138,766 thousand in 2022, a decrease of 10.6%. The main reasons for the decrease were lower costs related to the provision of external consultancy services to the Group and lower employee benefit costs.

Other operating income and expenses

Other operating income in 2023 amounted to PLN 129,397 thousand, an increase of PLN 43,619 thousand compared with the previous year.

Other operating expenses in 2023, reached PLN 52,963 thousand, down by PLN 16,630 thousand on the previous year.

A major part of the other operating income and expenses includes revenues and costs of sales of sold energy and other materials. In addition, the subsidy granted to the Kostrzyn plant of PLN 31.2 million contributed to the increase in other operating income in 2023. This subsidy applied to energy-intensive companies and was intended to offset the increase in the price of emission rights in 2022.

Financial income and financial expenses

In 2023, financial income amounted to PLN 15,069 thousand, down by PLN 77.698 thousand compared to the revenues generated in 2022, mainly due to a lower result on forward energy contracts at RROS.

Financial expenses in 2023 amounted to PLN 31,220 thousand compared to PLN 8,169 thousand incurred in 2022. The higher financial expenses in 2023 were primarily due to the value of FX losses.

Income tax

Income tax in 2023 was PLN -68,528 thousand PLN -170,756 thousand in 2022. The effective tax rate to gross profit in 2023 was 20% (2022: 18%).

Profitability analysis

The Company uses alternative performance measurements when describing the Group's 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 Group'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 Group 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 at the beginning of this report in the "Definitions and explanations of abbreviations" section.

EBITDA in 2023 was PLN 475,304 thousand, while in 2022 it was PLN 973,973 thousand. The decrease in EBITDA in 2023 is primarily due to lower paper and pulp sales volumes, partly offset by lower production costs. In the reporting period, the EBITDA margin was 13.39% versus 19.90% in 2022.

Operating profit for 2023 amounted to PLN 357,068 thousand and for 2022 to PLN 842,979 thousand. The operational profit margin in 2023 was +10.06% versus +17.22% in 2022. The lower operating profit in 2023 was due to lower EBITDA.

Net profit in 2023 was PLN 272,388 thousand, while in 2022 it was PLN 756,822 thousand. Net profit margin in 2023 amounted to +7.67% as compared to +15.46% in 2022.

<i>PLN '000</i>	2023	2022	Change % 2023/2022
Profit/(loss) on sales	745 684	1 410 757	(47.1)
% of sales revenues	21.01	28.82	(7.8) p.p.
EBITDA	475 304	973 973	(51.2)
% of sales revenues	13.39	19.90	(6.5) p.p.
EBIT	357 068	842 979	(57.6)
% of sales revenues	10.06	17.22	(7.2) p.p.
Net profit/(loss)	272 388	756 822	(64.0)
% of sales revenues	7.67	15.46	(7.8) p.p.
Return on equity / ROE (%)	15.1	36.9	(21.8) p.p.
Return on assets / ROA (%)	10.0	23.3	(13.3) p.p.

In 2023, return on equity was +15.10%, while in 2022 it was +36.9%.

In 2023, return on assets was +10.0%, while in 2022 it was +23.3%.

The decrease in return on equity and return on assets in 2023 was mainly due to the decrease in net profit achieved in 2023 compared to 2022.

Selected items of the consolidated statement of financial position

<i>PLN '000</i>	31 December 2023	31 December 2022	Change 31.12.2023 -31.12.2022
Fixed assets	1 292 262	1 371 867	(79 606)
Inventories	444 930	601 205	(156 275)
Receivables	416 268	504 024	(87 756)
<i>trade receivables</i>	<i>415 421</i>	<i>503 391</i>	<i>(87 970)</i>
Other current assets	68 968	295 459	(226 491)
Cash and cash equivalents	500 449	481 930	18 520
Total assets	2 722 877	3 254 485	(531 608)
Equity	1 801 508	2 052 182	(250 675)
Short-term liabilities	641 616	806 906	(165 289)
<i>of which:</i>			
<i>trade and other payables</i>	<i>447 917</i>	<i>551 211</i>	<i>(103 294)</i>
<i>interest-bearing debt</i>	<i>48 742</i>	<i>43 443</i>	<i>5 299</i>
<i>other non-financial liabilities</i>	<i>144 958</i>	<i>212 252</i>	<i>(67 294)</i>
Long-term liabilities	279 753	395 397	(115 644)
<i>of which:</i>			
<i>interest-bearing debt</i>	<i>104 198</i>	<i>162 324</i>	<i>(58 126)</i>
<i>other non-financial liabilities</i>	<i>175 555</i>	<i>233 072</i>	<i>(57 517)</i>
Total equity and liabilities	2 722 877	3 254 485	(531 608)

As at 31 December 2023, total assets amounted to PLN 2,722,877 thousand as compared to PLN 3,254.485 thousand at the end of 2022.

Fixed assets

At the end of December 2023, fixed assets amounted to PLN 1,292,262 thousand and accounted for 47.5% of total assets, compared to PLN 1,371.867 thousand at the end of 2022 (42.2% of total assets).

The decrease in the value of fixed assets was mainly due to a decrease in the positive valuation of power purchase forwards.

Current assets

As at the end of December 2023, current assets amounted to PLN 1,430.616 thousand as compared to PLN 1,882.618 thousand at the end of December 2022. Within current assets, inventories decreased by PLN 156,275 thousand, receivables decreased by PLN 87,756 thousand, other current assets decreased by PLN 226,491 thousand, and cash and cash equivalents increased by PLN 18,520 thousand. Current assets represented 52.5% of total assets as at the end of December 2023 (57.8% as at the end of 2022) and included inventories – 16.3% (18.5% as at the end of 2022), receivables – 15.3% (15.5% as at the end of 2022), other current assets – 2.5% (9.1% as at the end of 2022) and cash and cash equivalents – 18.4% (14.8% as at the end of 2022). The decrease in other current assets was mainly due to a decrease in the positive valuation of forwards mainly for the purchase of electricity. The increase in cash was mainly due to positive cash flows from operating activities.

Equity

As at the end of 2023, the equity amounted to PLN 1,801.508 thousand as compared to PLN 2,052.182 thousand at the end of 2022. As at the end of December 2023, equity accounted for 66.2% of total equity and liabilities (63.1% as at 31 December 2022).

The decrease in equity was primarily due to a reduction in the positive valuation of financial instruments treated as hedges of future cash flows and the payment of dividends to other shareholders by Rottneros AB, offset in part by net profit for 2023.

Short-term liabilities

As at the end of December 2023, short-term liabilities amounted to PLN 641,616 thousand (23.6% of the balance sheet total), compared to PLN 806,907 thousand (24.8% of the balance sheet total) at the end of 2022.

Short-term liabilities decreased by PLN 165,289 thousand in 2023 mainly due to a decrease in trade and other payables, employee liabilities and income tax liabilities offset in part by an increase in mainly short-term loans.

Long-term liabilities

As at the end of December 2023, long-term liabilities amounted to PLN 279,753 thousand (10.3% of the balance sheet total), compared to PLN 395,397 thousand (12.1% of the balance sheet total) at the end of 2022. In the year under review, there was a decrease in long-term liabilities by PLN 115,644 thousand.

The decrease in long-term liabilities was mainly due to a decrease in provisions for employee benefits and the repayment of loans.

Debt analysis

	2023	2022	Change % 2023/2022
Debt to equity ratio (%)	51.1	58.6	(7.4) p.p.
Equity to fixed assets ratio (%)	139.4	149.6	(10.2) p.p.
Interest-bearing debt-to-equity ratio (%)	8.5	10.0	(1.5) p.p.
Net debt to EBITDA ratio for the last 12 months (x)	(0.73)	(0.28)	(0.45)
EBITDA to interest coverage ratio (x)	75.6	146.6	(70.9)

As at the end of December 2023, the equity debt ratio was 51.1% and was lower by 7.4 p.p. versus the end of December 2022. The decrease in the ratio was mainly due to an increase in equity.

The ratio of fixed assets to equity stood at 139.4% at the end of 2023, 10.2 p.p. lower than at the end of December 2022 as a result of higher decline in equity than in fixed assets.

The interest-bearing debt to equity ratio was 8.5% at the end of 2023 and was by 1.5 p.p. lower versus the ratio calculated at the end of December 2022, both due to a decrease of interest-bearing debt than a decrease in equity.

The net debt to EBITDA ratio for the last 12 months of 2023 was -0.73, 0.45 lower than the ratio for 2022 due to both a larger decrease in net debt calculated as interest-bearing liabilities less cash than a decrease in EBITDA.

The EBITDA to net interest expense ratio for the 12 last months of 2023 was 75.6 and it was lower by 70.9 versus the level of the ratio for 2022 as a result of a decrease of EBITDA.

Liquidity analysis

	2023	2022	Change % 2023/2022
Current ratio	2.2x	2.3	(0,1)
Quick ratio	1,5x	1,6	(0,1)
Cash solvency ratio	0,8x	0,6	0,2
DSI (days)	57,1	62,1	(5,0)
DSO (days)	42,1	37,0	5,1
DPO (days)	57,5	57,0	0,6
Operating cycle (days)	99,3	99,2	0,1
Cash conversion cycle (days)	41,8	42,2	(0,4)

The current and quick liquidity ratios were 2.2 and 1.5, respectively, at the end of December 2023 and decreased by 0.1 and 0.1 compared to 31 December 2022 mainly due to a higher growth rate of current assets than short-term liabilities.

The cash solvency ratio was 0.8 at the end of December 2023, higher than the level of this ratio at the end of December 2022 (by 0.2) mainly due to the increase in cash.

The cash conversion cycle for 2023 (48.8 days) shortened by 0.4 days compared to 2022 (42.2 days) mainly as a result of a reduction in inventory turnover while receivables turnover increased.

Selected items of the consolidated cash flow statement

<i>PLN '000</i>	2023	2022	Change % 2023/2022
Cash flows from operating activities	471 204	607 383	(22,4)
<i>of which:</i>			
<i>Gross profit/(loss)</i>	340 917	927 577	(63,2)
<i>Depreciation/amortisation and impairment allowances (reversal)</i>	118 237	130 994	(9,7)
<i>Changes to working capital</i>	52 740	(289 303)	(118,2)
<i>Other adjustments</i>	(40 691)	(161 884)	(74,9)
Cash flows from investing activities	(146 720)	(155 879)	(5,9)
Cash flows from financing activities	(288 934)	(124 588)	131,9
Total cash flows	35 550	326 916	(89,1)

Cash flows from operating activities

Net cash flows from operating activities reached PLN 471,204 thousand in 2023, compared with PLN 607,381 thousand in 2022. The lower cash flows from operating activities in 2023 was the result of a decrease in gross profit.

Cash flows from investing activities

In 2023, cash flows from investing activities amounted to PLN -146,720 thousand compared with PLN -155,879 thousand in 2022 and mainly comprised expenditure on the acquisition of property, plant and equipment.

Cash flows from financing activities

Cash flows from financing activities in 2023 reached PLN -288,934 thousand compared with PLN -124,587 thousand in 2022. The increase in negative cash flows from financing activities in 2023 was primarily due to dividend payments and loan repayments.

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

Key factors affecting the performance results

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

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

Macroeconomic and other economic factors

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

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

Demand growth for products based on natural fibres

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

Reduced demand for certain paper types

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

Paper prices

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

Costs of raw materials, energy and transportation

The main elements of the Group's operating expenses include raw materials, energy and transportation. The costs of raw materials include mainly the costs of pulp for Paper Mills, timber for Pulp Mills and chemical agents used for paper and pulp

production. Our energy costs historically include mostly the costs of electricity, gas and rights to CO2 emissions. The costs of transportation include the costs of transportation services provided to the Group mainly by external entities.

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

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

Currency rate fluctuations

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

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

Unusual events and factors

In 2023 the Kostrzyn plant was granted with the subsidy of PLN 31.2. This subsidy applied to energy-intensive companies and was intended to offset the increase in the price of emission rights in 2022.

Impact of changes in Arctic Paper Group's structure on the financial result

In 2023, there were no material changes in the Arctic Paper Group's structure that would have material influence on the financial result generated.

Other material information

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

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

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

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

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

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

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

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

The aim of the Joint-Venture is to build a moulded cellulose fibre packaging plant in Kostrzyn nad Odrą, Poland, which is planned to be operational by the end of 2023. The estimated value of the investment will be PLN 100 million, of which the Issuer's share will be 50%. According to the Issuer's estimates, the investment will generate annual revenue of 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 influencing the development of the Arctic Paper Group

Information on market trends

Supplies of fine paper

In Q4 2023 the Arctic Paper Group recorded an increased level of orders versus Q3 2023 by 4.5% and an increase of orders versus the same period of 2022 by 3.5%.

Source of data: Analysis by Arctic Paper

Paper prices

At the end of Q4 2023, average prices for high-grade papers were lower by respectively: 9.8% for UWF papers and by 12.2% for CWF papers compared to the corresponding prices at the end of 2022.

In the period from October to December 2023, the prices of uncoated wood-free paper (UWF) and coated wood-free paper (CWF) for selected markets: Germany, France, Spain, Italy and the UK expressed in EUR and GBP remained unchanged for both UWF and CWF papers.

The average prices invoiced by Arctic Paper in EUR for comparable products in the segment of uncoated wood-free paper (UWF) at the end of 2023 dropped by 20.8% versus the end of 2022 while in the segment of coated wood-free paper (CWF) the prices dropped by 16.8%.

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

Pulp prices

At the end of Q4 2023, the pulp prices were as follows: NBSK 1,244 USD/tonne and BHKP 1,001 USD/tonne. The average NBSK price in Q4 2023 was 18.6% lower than in the same period last year, while BHKP was 34.2% lower. The average pulp price in Q4 2023 was higher by 1.4% for NBSK and higher by 8.8% for BHKP as compared to Q3 2023.

The average cost of pulp per ton of produced paper as calculated for the AP Group, expressed in PLN, in Q4 2023 decreased by 13.8% versus Q3 2023 and decreased by 44.1% versus Q4 2022. The share of pulp costs in cost of paper sales in Q4 of the current year amounted to 49% and decreased compared to the level recorded in Q4 2022 (61%).

In the four quarters of 2023, the AP Group used pulp in the production process in the following structure: BHKP 75%, NBSK 20% and other 5%.

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

Currency exchange rates

The EUR/PLN exchange rate at the end of Q4 2023 amounted to 4.3480 and was lower by 6.2% than at the end of Q3 2023 and lower by 7.3% than at the end of Q4 2022. The average exchange rate in Q4 2023 was lower by 1.8% than in Q3 2023 and amounted to 4.4193 versus 4.4995. The average exchange rate in Q4 2023 was by 6.6% lower than in Q4 2022.

The EUR/SEK exchange rate at the end of December 2023 stood at 11.0947 against 11.4942 at the end of Q3 2023 and 11.1320 at the end of Q4 2022, representing an appreciation of the SEK against the EUR of 3.5% and 0.3% respectively.

For this pair, the mean exchange rate in Q4 was by 2.5% lower compared to Q3 2023. The mean exchange rate in Q4 2023 was by 4.9% higher than in the corresponding period of 2022.

The changes mean an appreciation of SEK vis-a-vis EUR in Q4 2023 versus Q3 2023 which had an unfavourable impact on the Group's financial results, primarily with reference to the sales revenues generated by the Swedish factories that rely on prices in EUR.

At the end of Q4 2023, the USD/PLN rate recorded a decrease by 9.9% versus the end of Q3 2023 and amounted to 3.9350. The average rate in Q4 2023 was 4.1113, compared to 4.1360 in Q3 2023 and 4.6397 in Q4 2022. This represents an appreciation of the PLN against the USD of 0.6% q/q and a strong appreciation of 11.4% y/y.

At the end of Q4 2023, the USD/SEK rate amounted to 10.0408 and was by 7.3% lower than at the end of Q3 2023. The average rate in Q4 2023 was 10.6757, 0.5% lower than the average rate in Q4 2022.

The average annual change in the USD/SEK exchange rate (+4.9%) adversely affected the costs realised in USD by the Swedish paper mills, in particular pulp costs. With regard to the Kostrzyn paper mill, changes in the average annual USD/PLN exchange rate (-5.8%) had a favourable impact on costs realised in USD, in particular pulp costs.

At the end of December 2023, the EUR/USD rate amounted to 1.1050 compared to 1.0609 at the end of Q3 2022 and to 1.0655 at the end of December 2022. In terms of percentage, that means an appreciation of EUR to USD by 4.2% versus Q3 2023 and an appreciation of the currency by 3.7% versus the equivalent period of the previous year. In Q4 2023, the mean exchange rate of the pair amounted to 1.0755 compared to 1.0884 in Q3 2023 (-1.2%).

The appreciation of the EUR against the SEK on an average annual basis (+8% y/y) adversely affected the Group's financial results, mainly due to a reduction in sales revenue generated in EUR and expressed in SEK. The strengthening of the PLN against the USD in the corresponding period had a positive impact on the purchase prices of raw material at the Kostrzyn mill. The SEK weakening against the USD y/y had a negative impact on the above costs at the Swedish paper mills

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

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

- Shaping demand for high-grade paper in Europe at a time of a tense geopolitical situation, high energy prices and elevated inflation, as well as an expected economic slowdown. Over the recent years there has been a major decrease of demand for fine paper in Europe (level of executed orders). Further negative developments in the market may adversely affect order levels to our Paper Mills. The intensification of remote working may have the additional effect of reducing demand for high-quality graphic papers and therefore negatively affect the Group's financial performance.
- Price changes of fine paper. In particular, the possibility to maintain the prices of Arctic Paper products in local currencies in view of the declining supply/demand in Europe and in the context exchange rates fluctuations, will have a material influence on the financial results. Paper prices are going to be of particular importance for the Paper Mill of Grycksbo which – in connection with the market changes – experiences the greatest adverse impact of drop of sales volumes, prices as well as of exchange rate fluctuations.
- Price fluctuations of raw materials, including pulp for Paper Mills and electricity for all operational entities. In particular, financial results of Paper Mills may be negatively influenced by increasing pulp prices, particularly BHKP. On the other hand, dropping NBSK pulp prices may negatively affect the financial results of Pulp Mills. Fluctuations of electricity prices in Sweden may also have a material impact on the results generated by the Group. In the future, such market changes may translate into changes of sales profitability in Paper Mills of AP Munkedals and AP Grycksbo as well as in Pulp Mills of Rottneros and Vallvik.
- Changes in currency rates, in particular, the appreciation of PLN and SEK in relation to EUR and GBP, the appreciation of PLN in relation to SEK, and the depreciation of PLN and SEK in relation to USD, may have an adverse effect on the financial results. However, the Group's Pulp Mills may benefit from the appreciation of USD in relation to SEK.

Risk factors

Risk factors related to the environment in which the Group operates

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

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

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

Risk of changing legal regulations

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

FX risk

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

Interest rate risk

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

Risk related to increasing importance of alternative media

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

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

Risk factors relating to the business of the Group

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

Risk related to relatively low operational margins

Historically, the operational results of the Group are characterised by relatively high volatility and low profit margins on operations. Reduced revenues resulting e.g. from changes to production capacity, output, pricing policies or increased operating

expenses that primarily comprise costs of raw materials (mainly pulp for Paper Mills) and energy, may mean the Group's losses in earning capacity. Material adverse changes to profitability may result in reduced prices of our stock and reduced capacity to generate working capital thus adversely affecting our business and deteriorating our prospects.

Risk of price changes to raw materials, energy and products

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

Risk of disruption to production processes

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

Risk related to our investments

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

Risk factors relating to the debt of the Group

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

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

Risk related to insurance limits

In the context of deteriorating situation in paper industry and the results of the Arctic Paper Group, our suppliers, in particular suppliers of such raw materials as pulp, may have problems with acquiring insurance limits (sale on credit) and thus they may lose the possibility of offering deferred payment terms to the Arctic Paper Group. Such situation may result in deteriorated financial situation and loss of financial liquidity of operating units and as a result this may adversely affect the situation in the entire Group.

Risk of restricted supplies of natural gas

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

Risk related to consolidation and liquidity of key customers

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

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

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

Risk related to CO2 emissions

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

Risk related to dividend distribution

The Issuer is a holding company and therefore its capacity to pay dividend is subject to the level of potential disbursements from its 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 Group to distribute dividend.

In connection with the term and revolving loan agreements, and the agreement between creditors signed on 2 April 2021, the Company's ability to pay dividends is subject to the Group meeting certain financial ratios in the period prior to payment (as that term is defined in the term and revolving 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 consolidated financial statements

The Group's consolidated 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 Group's and the Issuer's going concern. Details of the preparation of the standalone and consolidated financial statements are discussed in note 9 to the 2023 Consolidated Financial Statements.

Dividend information

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 69,287,783.00, 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 Ordinary General Meeting for adoption of a resolution. The final decision on the distribution of the Company's profit for 2023 and the payment of dividend will be made by the Ordinary General Meeting.

Changes to the bodies of Arctic Paper S.A.

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

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

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

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

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

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 Tom 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 to 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.

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 functions performed at Arctic Paper S.A.	Retirement plan	Others	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
				3 612 497
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

The above remuneration includes costs incurred by the Company for senior management services provided to the subsidiary amounting to PLN 1,427 thousand.

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 as at 04.04.2024	Number of shares or rights to shares as at 31.12.2023	Number of shares or rights to shares as at 07.11.2023	Change
Management Board				
Michał Jarczyński	5 572	5 572	5 572	-
Katarzyna Wojtkowiak	-	-	-	-
Tom 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	-	-	-	-

*only direct shareholding

Management of financial resources

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

Capital investments

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

Information on financial instruments

Information on financial instruments on:

- a) the risks of: price changes, credit, material disruption of cash flows and loss of liquidity to which the Group is exposed; and
- b) the entity's financial risk management objectives and policies, including its methods of hedging significant types of forecast transactions for which hedge accounting is used, are disclosed in the consolidated financial statements in notes 34 and 35.

Information of sureties, guarantees and pledges

As at 31 December 2023, the Capital Group reported:

- a bank guarantee in favour of Skatteverket Ludvika in the amount of SEK 135 thousand;
- a contingent liability of Arctic Paper Munkedals AB related to a surety for the obligations of Kalltorp Kraft HB in the amount of SEK 428 thousand;
- a pledge on properties held by Munkedals Kraft AB as required by loan agreements with Nordea Bank for SEK 80,000 thousand (related to the investment in the hydro power plant);
- pledges on shares in subsidiary companies in the Rottneros Group for SEK 284,730 thousand under loan agreements concluded with Danske Bank.

In connection with the amendment agreement to the term and revolving loan agreements concluded on 2 April 2021, signed on 8 November 2023, on 16 November 2023 the Company signed annexes to the original collateral agreements (of 11 May 2021) and declarations according to which the above receivables and other claims were secured in favour of Bank Santander Bank Polska S.A., acting as Collateral Agent, i.e.

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

- › financial and registered pledges on all shares held by Arctic Paper S.A. and the Guarantors (Arctic Paper Kostrzyn SA, Arctic Paper Munkedals AB, Arctic Paper Grycksbo AB) that are registered in Poland and belong to companies in the Company's group (except Rottneros AB, Arctic Paper Mochenwangen GmbH, Arctic Paper Investment GmbH and Munkedals Kraft AB), with the exception of Arctic Paper S.A. shares; the security includes the right to exercise voting rights attached to the pledged shares;
- › mortgages on all real properties located in Poland and owned by the Guarantors;
- › registered pledges on all material rights and movable assets owned by Arctic Paper S.A. and the Guarantors, constituting an organised part of enterprise, located in Poland (with the exception of the assets listed in the Loan Agreement);
- › assignment of (existing and future) insurance policies covering the assets of Arctic Paper S.A. and the Guarantors (with the exception of insurance policies listed in the Loan Agreement);
- › declaration by Arctic Paper S.A. and the Guarantors on voluntary submission to enforcement, in the form of a notary deed;
- › financial pledges and registered pledges on Arctic Paper S.A. and the Guarantors' bank accounts registered in Poland (the pledges relate to current and future bank accounts; in the event of an event of default, in the event that the pledged receivable or part thereof becomes due, Arctic Paper S.A. may not draw funds from the pledged receivable, nor may it instruct the bank maintaining the account to disburse the funds);
- › powers of attorney to Polish bank accounts of Arctic Paper S.A. and the Guarantors, registered in Poland;
- › civil surety for liabilities granted by Arctic Paper S.A., Arctic Paper Kostrzyn S.A., Arctic Paper Munkedals AB, Arctic Paper Grycksbo AB

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

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

Material off-balance sheet items

The information regarding off-balance sheet items is disclosed in note 31 to the consolidated financial statements.

Assessment of the feasibility of investment plans

In view of the improved financial results and subject to accomplishment of the current financial objectives, the Company plans to carry out the investments in line with its financial plan. The core objective of the investments is to develop new products, minimise production costs, including the costs of electricity, and to improve the effectiveness of the production process. The Group intends to finance its investment plan for 2023 with its own funds and external funding sources.

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

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

Information on purchase of treasury shares

The Parent Entity did not purchase any treasury shares in 2023.

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

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

Other information on the auditor, including information on the audit firm's fees paid or payable for 2023 and 2022, is included in note 33 to the consolidated financial statements.

Headcount

Information on the headcount is provided in note 37 to the consolidated financial statements.

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", in accordance with the requirements set out in the said 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 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 ESG strategies should, among other things:

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 in the Group and for its efficiency in the development process of consolidated financial statements and interim reports, prepared and published in compliance with the rules of the Regulation of the Minister of Finance on current and periodical disclosure by issuers of securities and conditions to recognise as equivalent the information that is required by the law in Non-Member States of 29 March 2018. The Company's financial division headed by the CFO is responsible for the preparation of the Group's consolidated financial statements and interim reports. The Company prepares its financial statements and periodic reports on the basis of the procedures of making and publishing periodic reports and consolidated reports, in force at Arctic Paper S.A. The financial data underlying the Group's consolidated financial statements comes from monthly reporting packages and extended quarterly packages sent to the Issuer by Group member companies. After closing of the books for each calendar month, top management

of the Group member companies analyse the financial results of the companies compared to their budgets and the results generated in the previous reporting period.

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

The Company's Management Board systematically assesses the quality of internal control and risk management systems with reference to the preparation process of consolidated financial statements. On the basis of such review, the Company's Management Board found that as at 31 December 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.

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%
<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 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 Companies;
- Unless the Code of Commercial Companies or the Articles of Association of the Company provide otherwise, resolutions of the General Meeting require an absolute majority of votes;
- In compliance with the Company's Articles of Association, the following matters fall within the exclusive competences of the General Meeting:
 - › review and approval of the Management Board's report from operations of the Company and financial statements of the Company for the previous financial year;
 - › granting a vote of approval to members of the Management Board and members of the Supervisory Board for the performance of their duties;
 - › decisions concerning distribution of profit or coverage of losses;
 - › changes to the business objects of the Company;
 - › changes to the Articles of Association of the Company;
 - › increase or decrease in the Company's share capital;
 - › merger of the Company with another company or other companies, split of the Company or transformation of the Company;
 - › dissolution and liquidation of the Company;
 - › issues of convertible bonds or pre-emption bonds and issues of subscription warrants;
 - › purchase and sale of real properties ;
 - › disposal and lease of the entire enterprise or an organised part thereof or establishment of limited rights in rem thereon;
 - › all other issues for which these Articles of Association or the Code of Commercial Companies require a resolution of the General Meeting.

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

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

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

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

Management Board

Composition of the Management Board

- The Management Board is composed of one to five members, including President of the Management Board;
- The Management Board is appointed and dismissed by the Supervisory Board for a joint term of office;
- The term of office of members of the Management Board is 3 (three) years;
- When the Management Board is composed of more than one person, the Supervisory Board – upon a proposal by the President – may appoint up to three 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 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;
- Tom Fabian Langenskiöld – Member of the Management Board appointed with effect from 14 August 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 Companies) and issues of other debt securities, provision of consent to contract financial liabilities or taking actions resulting in contracting any financial liabilities, such as borrowings, loans, overdraft facilities, conclusion of factoring, forfaiting, lease contracts and other generating liabilities in excess of PLN 10,000,000;
 - › 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).

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

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

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

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

- According to the regulations applicable to the Company, the Company's Supervisory Board shall select – by way of a resolution and acting under a recommendation of the Audit Committee – the auditor authorised to carry out the audit;
- The selection is made taking into account the principles of impartiality and independence of the audit firm and the analysis of the audit firm's work carried out in the Company which falls beyond the scope of the audit of financial statements, in order to avoid any conflict of interest (observance of impartiality and independence);
- A request for proposals concerning the selection of an audit firm for statutory audit of the Company's financial statements is developed by the Audit Committee in cooperation with the Company's Chief Financial Officer (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 2019, item 623 as amended) adopted the "Remuneration Policy for Members of the Management Board and Members of the Supervisory Board of Arctic Paper SA". Under the above-mentioned Acts of public companies, including the Company, were obliged to adopt, by resolution, the Remuneration Policy of Management Board and Supervisory Board Members, which is the rules for determining the remuneration of Members of the Management Board and Supervisory Board, by the General Meeting of Shareholders, and to publish a remuneration report. The Company shall pay remuneration to the Members of the Management Board and the Supervisory Board solely in compliance with the adopted Policy. The policy prepared by the Company was drawn up in accordance with the principles set out in the above-mentioned Act and refers to the required elements related to remuneration and other terms of employment for Members of the Management Board and Members of the Supervisory Board. The policy received an opinion from the Remuneration Committee operating at the Supervisory Board, as well as by the Supervisory Board.

On 6 June 2023, the General Meeting of the Company gave a positive opinion on the remuneration report for 2023 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

On the basis of a statement made by 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.

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 CEO	Michał Jarczyński	4 April 2024	signed with a qualified electronic signature
Member of the Management Board CFO	Katarzyna Wojtkowiak	4 April 2024	signed with a qualified electronic signature
Member of the Management Board 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 consolidated financial statements of the Arctic Paper Capital Group for the year ended on 31 December 2023 and the comparable data were prepared in compliance with the applicable accounting principles and they reflect the economic and financial condition of the Capital Group and its financial result for 2023 in a true, reliable and clear manner.
- The Management Board's Report from operations of the Arctic Paper Capital Group in 2023 contains a true image of the development, achievements and condition of the Arctic Paper Capital Group, including a description of core hazards and risks.

Signatures of the Members of the Management Board

Position	First and last name	Date	Signature
President of the Management Board Chief Executive Officer	Michał Jarczyński	4 April 2024	signed with a qualified electronic signature
Member of the Management Board Chief Finance 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