



ARCTIC PAPER CAPITAL GROUP

Consolidated quarterly report for Q3 2022

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

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Introduction

Information on the report

This Consolidated Quarterly Report for Q3 2022 was prepared in accordance with the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a third country may be recognised as equivalent (Journal of Laws of 2018, item 757) and a part of the interim abbreviated consolidated financial statements in accordance with International Accounting Standard No. 34.

The Abbreviated Consolidated Financial Statements do not comprise all information and disclosures required in the Annual Consolidated Financial Statements which are subject to mandatory audit and therefore they should be read in conjunction with the Consolidated Financial Statements of the Group for the year ended 31 December 2021.

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

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

Definitions and abbreviations

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

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

Arctic Paper, Company, Issuer, Parent Entity, AP	Arctic Paper Spółka Akcyjna with its registered office in Kostrzyn nad Odrą, Poland
Capital Group, Group, Arctic Paper Group, AP Group	Capital Group comprised of Arctic Paper Spółka Akcyjna and its subsidiaries as well as joint ventures
Arctic Paper Kostrzyn, AP Kostrzyn, APK	Arctic Paper Kostrzyn Spółka Akcyjna with its registered office in Kostrzyn nad Odrą, Poland
Arctic Paper Munkedals, AP Munkedals, APM	Arctic Paper Munkedals AB with its registered office in Munkedal Municipality, Västra Götaland County, Sweden
Arctic Paper Mochenwangen, AP Mochenwangen, APMW	Arctic Paper Mochenwangen GmbH with its registered office in Mochenwangen, Germany
Arctic Paper Grycksbo, AP Grycksbo, APG	Arctic Paper Grycksbo AB with its registered office in Kungsvagen, Grycksbo, Sweden
Paper Mills	Arctic Paper Kostrzyn, Arctic Paper Munkedals, Arctic Paper Grycksbo
Arctic Paper Investment AB, API AB	Arctic Paper Investment AB with its registered office in Göteborg, Sweden
Arctic Paper Investment GmbH, API GmbH	Arctic Paper Investment GmbH with its registered office in Wolpertswende, Germany
Arctic Paper Verwaltungs	Arctic Paper Verwaltungs GmbH with its registered office in Wolpertswende, Germany
Arctic Paper Immobilienverwaltungs	Arctic Paper Immobilienverwaltungs GmbH & Co. KG with its registered office in Wolpertswende, Germany

Kostrzyn Group	Arctic Paper Kostrzyn Spółka Akcyjna with its registered office in Kostrzyn nad Odrą and EC Kostrzyn Sp. z o.o. with its registered office in Kostrzyn nad Odrą
Mochenwangen Group	Arctic Paper Investment GmbH, Arctic Paper Mochenwangen GmbH, Arctic Paper Verwaltungs GmbH, Arctic Paper Immobilienverwaltungs GmbH & Co.KG
Grycksbo Group	Arctic Paper Grycksbo AB and Arctic Paper Investment AB
Sales Offices	Arctic Paper Papierhandels GmbH with its registered office in Vienna (Austria)
	Arctic Paper Benelux SA with its registered office in Oud-Haverlee (Belgium)
	Arctic Paper Danmark A/S with its registered office in Greve (Denmark)
	Arctic Paper France SA with its registered office in Paris (France)
	Arctic Paper Deutschland GmbH with its registered office in Hamburg, (Germany)
	Arctic Paper Italia Srl with its registered office in Milan (Italy)
	Arctic Paper Baltic States SIA with its registered office in Riga (Latvia)
	Arctic Paper Norge AS with its registered office in Oslo (Norway)
	Arctic Paper Polska Sp. z o.o. with its registered office in Warsaw (Poland)
	Arctic Paper España SL with its registered office in Barcelona (Spain)
	Arctic Paper Finance AB with its registered office in Munkedal (Sweden)
	Arctic Paper Schweiz AG with its registered office in Derendingen (Switzerland)
	Arctic Paper UK Ltd with its registered office in London (UK)
Arctic Power Sp. z o.o. (formerly Arctic Paper East Sp. z o.o.)	Arctic Power Sp. z o.o. with its registered office in Kostrzyn nad Odrą (Poland)
Kostrzyn Packaging Spółka z o.o.	Arctic Paper East Sp. z o.o. with its registered office in Kostrzyn nad Odrą (Poland)
Arctic Paper Finance AB	Arctic Paper Finance AB with its registered office in Göteborg (Sweden)
Rottneros, Rottneros AB	Rottneros AB with its registered office in Sunne (Sweden)
Rottneros Group, Rottneros AB Group	Rottneros AB with its registered office in Söderhamn, Sweden; Rottneros Bruk AB with its registered office in Rottneros, Sweden; Utansjo Bruk AB with its registered office in Söderhamn, Sweden; Vallviks Bruk AB with its registered office in Vallvik, Sweden; Rottneros Packaging AB with its registered office in Sunne, Sweden; SIA Rottneros Baltic with its registered office in Kuldiga,

	Latvia; since 01 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 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 Annual General Meeting of Arctic Paper S.A. Meeting	
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
Court of Registration	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 gross profit/(loss) on sales to sales revenues from continuing operations
EBIT	Profit on continuing operating activity (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 cash equivalents 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, zloty	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 activity or financial situation. When evaluating the information presented in this report, one should not rely on such forward-looking statements, which are stated only as at the date they are expressed. Unless legal regulations contain detailed requirements in this respect, the Group shall not be obliged to update or verify those forward-looking statements in order to provide for new developments or circumstances. Furthermore, the Group is not obliged to verify or to confirm the analysts' expectations or estimates, except for those required by law.

Forward looking statements relating to risk factors

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

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

The background of the page features a series of wavy, light-colored lines that create a sense of movement and depth. The lines are more densely packed on the right side and become more sparse towards the left. The overall color palette is a range of light blues and greys.

Selected consolidated and standalone financial data

Selected consolidated financial data

	Period from 01.01.2022 to 30.09.2022 PLN'000	Period from 01.01.2021 to 30.09.2021 PLN'000	Period from 01.01.2022 to 30.09.2022 EUR'000	Period from 01.01.2021 to 30.09.2021 EUR'000
Continuing operations				
Sales revenues	3 809 178	2 459 029	814 965	540 548
Operating profit (loss)	733 692	170 481	156 972	37 475
Gross profit (loss)	816 082	151 172	174 599	33 231
Net profit / (loss) for the period	682 000	121 230	145 912	26 649
Net profit / (loss) attributable to the shareholders of the Parent Entity	558 402	84 309	119 469	18 533
Net cash flows from operating activities	481 386	105 318	102 992	23 151
Net cash flows from investing activities	(102 740)	(103 066)	(21 981)	(22 656)
Net cash flows from financing activities	(105 848)	(108 605)	(22 646)	(23 874)
Change in cash and cash equivalents	272 799	(106 353)	58 365	(23 379)
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)	8.06	1.22	1.72	0.27
Diluted EPS (in PLN/EUR)	8.06	1.22	1.72	0.27
Mean PLN/EUR exchange rate*			4.6740	4.5491
	As at 30 September 2022 PLN'000	As at 31 December 2021 PLN'000	As at 30 September 2022 EUR'000	As at 31 December 2021 EUR'000
Assets	3 644 293	2 389 266	748 345	519 473
Long-term liabilities	511 806	424 205	105 098	92 230
Short-term liabilities	885 323	722 065	181 799	156 991
Equity	2 247 163	1 242 996	461 449	270 252
Share capital	69 288	69 288	14 228	15 064
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)	32.43	17.94	6.66	3.90
Diluted book value per share (in PLN/EUR)	32.43	17.94	6.66	3.90
Declared or paid dividend (in PLN/EUR)	27 715 113	20 786 335	5 691 222	4 519 357,94
Declared or paid dividend per share (in PLN/EUR)	0.40	0.30	0.08	0.07
PLN/EUR exchange rate at the end of the period**			4.8698	4.5994

* – Profit and loss 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.

Selected standalone financial data

	Period from 01.01.2022 to 30.09.2022 PLN'000	Period from 01.01.2021 to 30.09.2021 PLN'000	Period from 01.01.2022 to 30.09.2022 EUR'000	Period from 01.01.2021 to 30.09.2021 EUR'000
Sales revenues	68 341	54 627	14 622	11 961
Operating profit/(loss)	168 093	34 955	35 963	7 654
Gross profit/(loss)	164 720	26 142	35 242	5 724
Net profit/(loss) from continuing operations	164 720	26 142	35 242	5 724
Net profit/(loss) for the financial year	166 381	26 142	35 597	5 724
Net cash flows from operating activities	194 363	(58 177)	41 584	(12 739)
Net cash flows from investing activities	(50)	-	(11)	-
Net cash flows from financing activities	(60 094)	39 178	(12 857)	8 578
Change in cash and cash equivalents	134 219	(18 999)	28 716	(4 160)
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)	2.40	0.38	0.51	0.08
Diluted EPS (in PLN/EUR)	2.40	0.38	0.51	0.08
Mean PLN/EUR exchange rate*			4.6740	4.5491

	As at 30 September 2022 PLN'000	As at 31 December 2021 PLN'000	As at 30 September 2022 EUR'000	As at 31 December 2021 EUR'000
Assets	1 028 143	882 117	211 126	191 790
Long-term liabilities	93 978	31 049	19 298	6 751
Short-term liabilities	213 324	280 472	43 805	60 980
Equity	720 842	570 595	148 023	124 058
Share capital	69 288	69 288	14 228	15 064
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)	10.40	8.24	2.14	1.79
Diluted book value per share (in PLN/EUR)	10.40	8.24	2.14	1.79
Declared or paid dividend (in PLN/EUR)	27 715 113	20 786 335	5 691 222	4 519 358
Declared or paid dividend per share (in PLN/EUR)	0.40	0.30	0.08	0.07
PLN/EUR exchange rate at the end of the period**			4.8698	4.5994

* – Profit and loss 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.

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

to the report for Q3 2022

Description of the business of the Arctic Paper 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 on the day hereof, the Arctic Paper Group employs around 1,500 people in its Paper Mills, Pulp Mills, companies dealing in paper distribution and sales, and a company dealing in timber procurement for pulp production. Our paper mills are located in Poland and Sweden and have total production capacity of around 685,000 metric tonnes of paper per year. The Pulp Mills are located in Sweden and have total production capacity of around 400,000 tonnes of pulp per year. The Group also has a company for private forest owners in Sweden, enabling wider access to raw materials in the long term, and 13 Sales Offices for the sales and marketing of the Group's products and providing access to all European markets, including Central and Eastern Europe. Our consolidated sales revenues for three quarters of 2022 amounted to PLN 3,809 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:

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

Our production facilities

As on 30 September 2022, 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 per year 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 210,000 tonnes per year and produces coated wood-free paper used for printing maps, books, magazines, posters and printing of advertising materials.

As on 30 September 2022, as well as on the day hereof, the Group owned the following Pulp Mills:

- The pulp mill in Rottneros (Sweden) has production capacity of about 160,000 tonnes annually and produces mainly two types of mechanical pulp: groundwood and chemo 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 with a high level of purity. The high quality of the pulp which had been developed for years, made Vallvik a leader in supplies of such pulp. The pulp is used among others to produce transformers and in cable industry.

Our products

The product assortment of the Arctic Paper Group covers:

- uncoated wood-free paper;
- coated wood-free paper;
- uncoated wood-containing paper;
- sulphate pulp;
- mechanical fibre pulp.

A detailed description of the Group's assortment is included in the consolidated annual report for 2021.

Capital Group structure

The Arctic Paper Capital Group comprises Arctic Paper S.A., as the Parent Entity, and its subsidiaries, as well as joint ventures. Since 23 October 2009, Arctic Paper S.A. has been listed on the primary market of the Warsaw Stock Exchange and since 20 December 2012 in the NASDAQ stock exchange in Stockholm. The Group operates through its Paper mills and Pulp mills with its subsidiary producing packaging, a company of forest owners as well as Sales Offices and Procurement Offices.

Details on the organisation of the Capital Group of Arctic Paper S.A. along with identification of the consolidated entities are specified in note 2 in the abbreviated consolidated financial statements, further below in this quarterly report.

Changes in the capital structure of the Arctic Paper Group

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

In Q3 2022, no changes in the capital structure of the Arctic Paper Group occurred.

Shareholding structure

Nemus Holding AB, a company under Swedish law (a company owned indirectly by Mr Thomas Onstad), is the majority shareholder of Arctic Paper S.A., holding (as at 30 September 2022) 40,381,449 shares of our Company, which constitutes 58.28% of its share capital and corresponds to 58.28% of the total number of votes at General Meetings. Thus Nemus Holding AB is the Parent Entity of the Issuer.

Additionally, Mr Thomas Onstad, an indirect shareholder of Nemus Holding AB, holds directly 6,223,658 shares representing 8.98% of the total number of shares in the Company, and via another entity – 600,000 shares accounting for 0.87% of the total number of shares of the Issuer. Mr Thomas Onstad's total direct and indirect holding in the capital of Arctic Paper S.A. as at 30 September 2022 was 68.13% and has not changed until the date hereof.

as at 07.11.2022

Shareholder	Number of shares	Share in the share capital [%]	Number of votes	Share in the total number of votes [%]
Thomas Onstad	47 205 107	68,13%	47 205 107	68,13%
- indirectly via	40 981 449	59,15%	40 981 449	59,15%
<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%
- directly	6 223 658	8,98%	6 223 658	8,98%
Other	22 082 676	31,87%	22 082 676	31,87%
Total	69 287 783	100,00%	69 287 783	100,00%
Treasury shares	-	0,00%	-	0,00%
Total	69 287 783	100,00%	69 287 783	100,00%

The data in the above tables is shown as at the date of publication of this report, the status has not changed from the date of publication of the 2022 semi-annual report and as at 30 September 2022.

Summary of the consolidated financial results

Selected items of the consolidated statement of profit and loss

PLN'000	3Q 2022	2Q 2022	3Q 2021	YTD 2022	YTD 2021	Change % Q3 2022/ Q2 2022	Change % Q3 2022/ Q3 2021	Change % YTD 2022/ YTD 2021
Continuing operations								
Sales revenues	1 402 141	1 296 279	889 656	3 809 178	2 459 029	8,2	57,6	54,9
<i>of which:</i>								
<i>Sales of paper</i>	1 042 128	948 565	644 963	2 810 251	1 719 083	9,9	61,6	63,5
<i>Sales of pulp</i>	360 013	347 714	244 694	998 927	739 946	3,5	47,1	35,0
Profit on sales	414 692	455 106	182 488	1 170 414	505 582	(8,9)	127,2	131,5
<i>% of sales revenues</i>	29,58	35,11	20,51	30,73	20,56	(5,5) p.p.	9,1 p.p.	10,2 p.p.
Selling and distribution costs	(122 515)	(124 065)	(98 547)	(345 874)	(280 780)	(1,2)	24,3	23,2
Administrative expenses	(34 882)	(34 162)	(23 164)	(94 406)	(71 832)	2,1	50,6	31,4
Other operating income	13 067	22 057	20 709	56 426	46 276	(40,8)	(36,9)	21,9
Other operating expenses	(10 809)	(20 878)	(8 712)	(52 869)	(28 765)	(48,2)	24,1	83,8
EBIT	259 552	298 058	72 773	733 692	170 481	(12,9)	256,7	330,4
<i>% of sales revenues</i>	18,51	22,99	8,18	19,26	6,93	(4,5) p.p.	10,3 p.p.	12,3 p.p.
EBITDA	298 208	330 061	102 099	833 994	258 507	(9,7)	192,1	222,6
<i>% of sales revenues</i>	21,27	25,46	11,48	21,89	10,51	(4,2) p.p.	9,8 p.p.	11,4 p.p.
Financial income	84 519	5 521	333	90 220	2 070	1 430,9	25 280,0	4 258,3
Financial expenses	(1 725)	(1 863)	(7 032)	(7 830)	(21 379)	(7,4)	(75,5)	(63,4)
Gross profit (loss)	342 347	301 715	66 074	816 082	151 172	13,5	418,1	439,8
Income tax	(60 804)	(47 622)	(12 713)	(134 082)	(29 942)	27,7	378,3	347,8
Net profit/ (loss)	281 542	254 094	53 361	682 000	121 230	10,8	427,6	462,6
<i>% of sales revenues</i>	20,08	19,60	6,00	17,90	4,93	0,5 p.p.	14,1 p.p.	13,0 p.p.
Net profit/(loss) for the reporting period attributable to the shareholders of the Parent Entity	221 853	215 868	36 843	558 402	84 309	2,8	502,2	562,3

Comments of the President of the Management Board Michał Jarczyński on the results of Q3 2022

The third quarter of 2022 was another strong quarter, with sales at all-time high and stable results. Arctic Paper's revenues increased by 58 percent compared with Q3 last year to PLN 1 402.1 million (889.7 million). The EBITDA result was tripled to PLN 298.2 million (102.1 million). As in the second quarter, both pulp and paper contributed to the strong results. Our financial position remains rock solid: Arctic Paper's net debt/EBITDA ratio reached -0,22 (0,66) at the end of the period, corresponding to a net debt of PLN -199.6 million (186.6 million).

Paper segment sales increased by 62 percent to PLN 1 042.1 million (645.0 million) with an EBITDA of PLN 205.7 million (46.3 million). Our margin remained at a high level but was affected by higher costs for raw materials, energy, and transport. Therefore, we have implemented a price increase after the end of the period. All three paper mills have continued to run on a very high production-capacity usage, reaching 96 percent for the period after minor maintenance shutdowns. Sales for the period were 168.000 tons (169.000 tons) and we have continued to effectively manage the production mix to optimize the value of the output.

For Rottneros – the pulp segment – the revenue for the third quarter increased by 41 percent to SEK 806 million (570 million) with an EBITDA result of SEK 233 million (130 million). Production volume for the period was up to 96 000 tons (92 000 tons). Rottneros decided during the period to discontinue the production of groundwood pulp. The cost of the closure is

expected to be 60 MSEK, while Rottneros plans to invest 160 - 200 MSEK to significantly increase capacity and production in the mill's CTMP line.

For packaging, volumes declined slightly during the period in line with our ambition to maximize the production in terms of profit per ton and were 16 000 tons for the last twelve months.

The Group's stable position in the energy market is a prerequisite for the strong result. During the period Arctic Paper took an important step towards self-sufficiency, carbon neutrality and the circular economy when the new flexible multifuel boiler in Munkedal went into operation in September. The biomass boiler will provide the mill with another stable source of energy at a competitive price. The energy projects are running according to plan, and we have recruited a Group Business developer to coordinate the Group's activities in the area.

While our business is setting new records, the macroeconomic environment is more uncertain than ever. We have a high readiness for a period when both our customers and general demand can be severely affected by cost inflation and rising energy prices. I expect record results for the Group 2022. Even though we still look to the near future with confidence, we are at the same time well prepared with a strong balance sheet for more turbulent times that may follow, as well as for the upcoming planned investments.

Revenues

In Q3 2022, the consolidated sales revenues amounted to PLN 1,402,141 thousand (sales of paper: PLN 1,042,128 thousand, pulp sales: PLN 360,013 thousand) compared to PLN 889,656 thousand (paper sales: PLN 644,963 thousand, pulp sales of PLN 244,694 thousand) in the same period of the previous year. This represents an increase of PLN 512,485 thousand (increase for paper sales: PLN 397,165 thousand, increase of pulp sales: and PLN 115,319 thousand) and +57.6% respectively (paper sales: +61.6%, pulp sales: +47.1%).

In the first 9 months of 2022, sales revenues amounted to PLN 3,809,178 thousand (paper sales: PLN 2,810,251 thousand, pulp sales: PLN 998,927 thousand) compared to PLN 2,459,029 thousand (paper sales: PLN 1,719,083 thousand, pulp sales: PLN 739,946 thousand) achieved in the same period of the previous year. This represents an increase in revenue of PLN 1,350,149 thousand (increase for paper sales: PLN 1,091,168 thousand, increase of pulp sales: and PLN 258,981 thousand) and by +54.9% respectively (paper sales: +63.5%, pulp sales: +35.0%).

Paper sales volumes in Q3 2022 amounted to 168,000 tonnes, compared to 169,000 tonnes in the same period of the previous year (165,000 tonnes in the previous quarter). This change represents a decrease of 1,000 tonnes and -0.6% respectively (to the previous quarter an increase of 3,000 tonnes and +1.8% respectively). Pulp sales volumes in Q3 2022 amounted to 104,000 tonnes, compared to 89,000 tonnes in the same period of the previous year (106,000 tonnes in the previous quarter). This change represents an increase of 15,000 tonnes and +16.9% respectively (to the previous quarter a decrease of 2,000 tonnes and -1.9% respectively).

Paper sales volume in the first three quarters of 2022 amounted to 500 thousand tonnes compared to 479,000 tonnes in the same period of the previous year. The change represents an increase of 21 thousand tonnes and by +4.4% respectively. Pulp sales volume in the first three quarters of 2022 amounted to 310 thousand tonnes compared to 299 thousand tonnes in the same period of the previous year. The change represents an increase of 11 thousand tonnes and by +3.7% respectively.

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

Profit on sales in Q3 2022 amounted to PLN 414,692 thousand, 127.2% higher than in the same period of the previous year and -8.9% lower than in the previous quarter of 2022. Sales profit margin in the current quarter stood at 29.58% compared to 20.51% (+9.1 p.p.) in the same period of the previous year and 35.11% (-5.5 p.p.) in the previous quarter. The increase in profit on sales was primarily due to the increase in paper and pulp selling prices.

Profit on sales for the three quarters of 2022 amounted to PLN 1,170,414 thousand and was 131.5% higher than in the same period of the previous year. Sales profit margin in the period stood at 30.73% compared to 20.56% (+10.2 p.p.) in the same period of the previous year. The reasons for the changes are analogous to those described above.

In Q3 2022, costs of sales amounted to PLN 122,515 thousand, an increase of 24.3% compared to the costs incurred in Q3 2021 and a decrease of 1.2% compared to the previous quarter.

During the three quarters of 2022, the costs of sales amounted to PLN 345,874 thousand, an increase of 23.2% compared to the costs incurred in the same period of 2021. The selling and distribution costs include primarily costs of transport of finished products to counterparties.

In Q3 2022, administrative expenses reached PLN 34,882 thousand, compared with PLN 23,164 thousand in the same period of 2021 (up 50.6%) and compared with PLN 34,162 thousand in the previous quarter (up 2.1%). The administrative expenses are composed primarily of the costs of advisory and administrative services in the Group.

During the three quarters of 2022, administrative expenses reached PLN 94,406 thousand, compared with PLN 71,832 thousand in the same period of 2021, an increase of 31.4%. The main reason of the increase was higher costs related to consulting services rendered to the Group by third parties.

Other operating income and expenses

Other operating income amounted to PLN 13,067 thousand in Q3 2022, compared to PLN 20,709 thousand in Q3 2021 and PLN 22,057 thousand in the previous quarter of 2022.

Other operating income totalled PLN 56,426 thousand for three quarters of 2022 which was an increase as compared to the same period of the previous year by PLN 10,150 thousand.

In Q3 2022, other operating expenses reached PLN 10,809 thousand, compared to PLN 8,712 thousand in Q3 2021 and PLN 20,878 thousand in the previous quarter.

Other operating expenses amounted to PLN 52,869 thousand for the three quarters of 2022, an increase of PLN 22,504 thousand compared to the same period of 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, costs related to research work partly compensated by the National Centre for Research and Development contributed to the increase in other operating income and expenses in H1 2022, which were not recognised in Q3 2022.

Financial income and financial expenses

Financial income in Q3 2022 amounted to PLN 84,519 thousand, compared to PLN 333 thousand received in Q3 2021 and PLN 5,521 thousand in the previous quarter of 2022.

During the nine months of 2022, financial income amounted to PLN 90,220 thousand, while in the same period of 2021 it was PLN 2,070 thousand. The higher financial income for the three quarters of 2022 as well as in Q3 2022 was primarily due to the recognition in the consolidated income statement of a positive valuation of unrealised power purchase forwards that do not comply with hedge accounting rules due to the discontinuation of production of one of the mechanical pulp grades described in detail in Other Relevant Information in this Report. In addition, the Group recorded higher FX gains for the three quarters of 2022 than in the same period of 2021.

Financial expenses in Q3 2022 amounted to PLN 1,725 thousand, compared to PLN 7,032 thousand incurred in Q3 2021 and PLN 1,863 thousand in the previous quarter.

Financial expenses amounted to PLN 7,830 thousand for the three quarters of 2022, compared to PLN 21,379 thousand incurred for the three quarters of 2021. The lower financial expenses are the result of lower interest costs due to the refinancing of the debt with the syndicate of banks in accordance with the agreement of 02 April 2021 and the interest SWAP counterparts concluded.

Income tax

Income tax in Q3 2022 amounted to PLN -60,804 thousand, while in the same period of 2021 it amounted to PLN -12,713 thousand and PLN -47,622 thousand in the previous quarter.

The current portion of income tax amounted to PLN -46,310 thousand in the analysed quarter of 2022, while the deferred portion amounted to PLN -14,494 thousand. In Q3 of the previous year, this was PLN -12,803 thousand and PLN +90 thousand respectively, and in the previous quarter, PLN -38,493 thousand and PLN -9,129 thousand respectively.

Income tax for the three quarters of 2022 amounted to PLN -134,082 thousand, while in the same period of 2021 it amounted to PLN -29,942 thousand.

The current portion of income tax amounted to PLN -106,596 thousand in the analysed three quarters of 2022, while the deferred portion amounted to PLN -27,486 thousand. In the same quarters of the previous year, this was PLN -26,612 thousand and PLN -3,330 thousand respectively.

The increase in the current portion of income tax for 9 months 2022 is due to an increase in the taxable base mainly as a result of an increase in gross profit, while the increase in the deferred portion is mainly due to the recognition in the consolidated income statement of a positive valuation of unrealised power purchase forwards that do not meet hedge accounting rules.

Profitability analysis

Operating profit from continuing operations in Q3 2022 amounted to PLN 259,552 thousand, compared with PLN 72,773 thousand in the same period of the previous year and PLN 298,058 in the previous quarter. These changes represent an increase in the operating profit margin from +8.2% in Q3 2021 to +18.1% in Q3 of this year and a decrease in the operating profit margin from +23.0% in the previous quarter.

Operating profit from continuing operations for the three quarters of 2022 amounted to PLN 733,692 thousand, compared with PLN 170,481 thousand in the same period of the previous year. The changes resulted in an increase of operating profit margin from +6.9% for three quarters of 2021 to +19.3% for three quarters of this year.

EBITDA in Q3 2022 amounted to PLN 298,208 thousand, while in the same period of 2021 it amounted to PLN 102,099 thousand and PLN 330,061 thousand in the previous quarter. In the reporting period, the EBITDA margin stood at 21.3%, compared to 11.5% in the same period of 2021 and 25.5% in the previous quarter.

EBITDA for the three quarters of 2022 amounted to PLN 833,994 thousand, while in the same period of 2021 it amounted to PLN 258,507 thousand. In the reporting period, the EBITDA margin was 21.9% compared to 10.5% in the same period of 2021.

Net profit in the current quarter of 2022 amounted to PLN 281,542 thousand, compared to net profit of PLN 53,361 thousand in Q3 2021 and PLN 254,094 thousand in the previous quarter.

Net profit in the three quarters of 2022 amounted to PLN 682,000 thousand, compared to net profit of PLN 121,230 thousand in the three quarters of 2021.

<i>PLN '000</i>	Q3 2022	Q2 2022	Q3 2021	YTD 2022	YTD 2021	Change % Q3 2022/ Q2 2022	Change % Q3 2022/ Q3 2021	Change % YTD 2022/ YTD 2021
Profit/(loss) on sales	414 692	455 106	182 488	1 170 414	505 582	(8,9)	127,2	131,5
% of sales revenues	29,58	35,11	20,51	30,73	20,56	(5,5) p.p.	9,1 p.p.	10,2 p.p.
EBITDA	298 208	330 061	102 099	833 994	258 507	(9,7)	192,1	222,6
% of sales revenues	21,27	25,46	11,48	21,89	10,51	(4,2) p.p.	9,8 p.p.	11,4 p.p.
EBIT	259 552	298 058	72 773	733 692	170 481	(12,9)	256,7	330,4
% of sales revenues	18,51	22,99	8,18	19,26	6,93	(4,5) p.p.	10,3 p.p.	12,3 p.p.
Net profit/(loss)	281 542	254 094	53 361	682 000	121 230	10,8	427,6	462,6
% of sales revenues	20,08	19,60	6,00	17,90	4,93	0,5 p.p.	14,1 p.p.	13,0 p.p.
Return on equity / ROE (%)	12,5	13,8	4,6	30,3	10,5	(1,3) p.p.	7,9 p.p.	19,8 p.p.
Return on assets / ROA (%)	7,7	8,2	2,3	18,7	5,3	(0,4) p.p.	5,4 p.p.	13,4 p.p.

The return on equity was 12.5% in Q3 2022 and 13.8% in the previous quarter (30.3% for the three quarters of 2022), while it reached 4.6% in Q3 2021 (10.5% for the three quarters of 2021).

The return on assets was 7.7% in Q3 2022 and 8.2% in the previous quarter (18.7% for the three quarters of 2022), while it reached 2.3% in Q3 2021 (5.3% for the three quarters of 2021).

Selected items of the consolidated statement of financial position

PLN '000	2022-09-30	2021-12-31	2021-09-30	Change 30.09.2022 -31.12.2021	Change 30.09.2022 -30.09.2021
Fixed assets	1 489 812	1 301 750	1 246 233	188 061	243 579
Inventories	505 443	402 868	391 816	102 574	113 626
Receivables	752 836	410 939	458 128	341 897	294 707
<i>trade receivables</i>	743 774	402 530	449 071	341 244	294 703
Other current assets	454 469	105 781	54 515	348 688	399 955
Cash and cash equivalents	441 734	167 927	145 891	273 806	295 843
Total assets	3 644 293	2 389 266	2 296 582	1 255 026	1 347 710
Equity	2 247 163	1 242 996	1 153 170	1 004 168	1 093 993
Short-term liabilities	885 323	722 065	686 294	163 258	199 030
<i>of which:</i>					
<i>trade and other payables</i>	630 434	506 812	485 310	123 622	145 124
<i>interest-bearing debt</i>	52 823	96 659	89 528	(43 836)	(36 706)
<i>other non-financial liabilities</i>	202 066	118 594	111 455	83 472	90 611
Long-term liabilities	511 806	424 205	457 119	87 602	54 688
<i>of which:</i>					
<i>interest-bearing debt</i>	189 317	190 363	242 959	(1 046)	(53 642)
<i>other non-financial liabilities</i>	322 489	233 841	214 159	88 647	108 329
Total equity and liabilities	3 644 293	2 389 266	2 296 582	1 255 026	1 347 710

As at 30 September 2022, total assets amounted to PLN 3,644,293 thousand as compared to PLN 2,389,266 thousand at the end of 2021, an increase of PLN 1,255,026 thousand.

Fixed assets

At the end of June 2022, fixed assets accounted for 40.9% of total assets vs. 54.5% at the end of 2021. The value of fixed assets increased by PLN 188,061 thousand in the current period mainly due to an increase in other financial assets comprising a positive valuation of long-term forward contracts for the purchase of energy.

Current assets

Current assets understood as a sum of inventories, receivables, other current assets and cash and cash equivalents.

Current assets reached PLN 2,154,481 thousand at the end of September 2022, compared to PLN 1,087,516 thousand at the end of December 2021. Within current assets, inventories increased by an amount of PLN 102,574 thousand, receivables increased by an amount of PLN 341,897 thousand (mainly due to an increase in paper and pulp sales), other current assets increased by an amount of PLN 348,688 thousand (mainly due to an increase in the positive valuation of short-term forward energy purchase contracts), while cash and cash equivalents increased by an amount of PLN 273,806 thousand. Current assets represented 59.1% of total assets as at the end of September 2022 (45.5% as at the end of 2021) and included inventories – 13.9% (16.9% as at the end of 2021), receivables – 20.7% (17.2% as at the end of 2021), other current assets – 12.5% (4.4% as at the end of 2021) and cash and cash equivalents – 12.0% (7.0% as at the end of 2021).

Equity

In Q13 2022, the equity amounted to PLN 2,247,163 thousand as compared to PLN 1,242,996 thousand at the end of 2021. Equity represented 61.7% of total liabilities as at the end of September 2022 as compared to 52.0% of total liabilities as at the end of December 2021. The increase in equity was mainly the result of net profit for the first nine months of 2022 and an increase in the net valuation of hedging instruments offset in part by dividend payments to APSA shareholders and non-controlling interests.

Short-term liabilities

As at the end of September 2022, current liabilities amounted to PLN 885,323 thousand (24.3% of the balance sheet total), compared to PLN 722,065 thousand (30.2% of the balance sheet total) at the end of 2021. Short-term liabilities increased by

PLN 144,758 thousand in the nine-month period 2022 as a result of an increase in trade and other payables and income tax liabilities.

Long-term liabilities

As at the end of September 2022, non-current liabilities amounted to PLN 511,806 thousand (14.0% of the balance sheet total), compared to PLN 424,205 thousand (17.8% of the balance sheet total) at the end of 2021. In the period under review, there was an increase of PLN 87,602k in non-current liabilities mainly due to an increase in the deferred tax liability resulting primarily from an increase in the positive valuation of energy forwards.

Debt analysis

	Q3 2022	Q2 2022	Q3 2021	Change % Q3 2022/ Q2 2022	Change % Q3 2022/ Q3 2021
Debt to equity ratio (%)	62,2	69,1	99,2	(6,9) p.p.	(37,0) p.p.
Equity to fixed assets ratio (%)	150,8	121,2	92,5	29,6 p.p.	58,3 p.p.
Interest-bearing debt-to-equity ratio (%)	10,8	13,1	28,8	(2,4) p.p.	(18,1) p.p.
Net debt to EBITDA ratio for the last 12 months (x)	(0,2)x	(0,0)x	0,7x	(0,2)	(0,9)
EBITDA to interest expense ratio for the last 12 months (x)	97,3x	52,0x	14,5x	45,3	82,8

As at the end of September 2022, the debt to equity ratio was 62.2% and was lower by 6.9 p.p. as compared to the end of June of 2022 and lower by 37.0 p.p. as compared to the end of September 2021. These changes are the result of higher growth rates in equity than in liabilities.

The equity to fixed assets ratio was 150.8% as at the end of Q3 2022 and was higher by 29.6 p.p. than at the end of June of 2022 and higher by 58.3 p.p. than at the end of September 2021. These changes are the result of higher growth rates in equity than in fixed assets.

The interest bearing debt to equity ratio was 10.8% as at the end of Q3 2022 and was lower by 2.4 p.p. as compared to the end of June 2022 and lower by 18.1 p.p. as compared to the level of the ratio calculated at the end of September 2021. The changes were due to a simultaneous decrease of interest-bearing liabilities and an increase of equity as at the end of September 2022.

Net borrowings to EBITDA calculated for the last 12 months ended on 30 September 2022 amounted to 0.2x compared to 0.0x in the same period ended on 30 June 2022 and 0.7x for the 12-month period ended on 30 September 2021. These changes are mainly due to a decrease in net debt as a result of loan repayments and an increase in cash generated from the Group's operating activities.

The ratio of interest expense to EBITDA was 97.3x for the 12 months ended 30 September 2022, 52.0x for the 12 months ended 30 June 2022 and 14.5x for the 12 months ended 30 September 2021. These changes are mainly the result of a decrease in interest expenses due to the repayment of loans and concluded interest SWAP contracts and as well as an increase in EBITDA.

Liquidity analysis

	Q3 2022	Q2 2022	Q3 2021	Change % Q3 2022/ Q2 2022	Change % Q3 2022/ Q3 2021
Current ratio	2,4x	2,0x	1,5x	0,4	0,9
Quick ratio	1,8x	1,4x	0,9x	0,5	0,9
Cash solvency ratio	0,5x	0,3x	0,2x	0,2	0,3
DSI (days)	46,1	51,2	49,9	(5,2)	(3,8)
DSO (days)	47,7	45,2	45,4	2,5	2,3
DPO (days)	57,5	63,2	61,8	(5,8)	(4,3)
Operating cycle (days)	93,8	96,4	95,3	(2,6)	(1,5)
Cash conversion cycle (days)	36,3	33,2	33,5	3,2	2,8

The current ratio was 2.4x at the end of September 2022, higher than the levels of this ratio at the end of June 2022 (2.0x) and higher than the level at the end of September 2021 (1.5x).

The quick ratio at the end of September 2022 was 1.8x and was higher than at the end of June 2022 (1.4x) and higher than at the end of September 2021 (0.9x).

The cash solvency ratio was 0.5x at the end of September 2022, higher than the ratio at the end of June 2022 (0.3x) and the end of September 2021 (0.2x).

The increases in the liquidity ratios are the result of a higher growth rate in the relevant current asset items, including cash, than in current liabilities.

The cash conversion cycle for Q3 2022 (36.3 days) was extended versus Q2 2022 (by 3.2 days) and Q3 2021 (by 2.8 days).

Selected items of the consolidated statement of cash flow

PLN '000	Q3 2022	Q2 2022	Q3 2021	YTD 2022	YTD 2021	Change % Q3 2022/ Q2 2022	Change % Q3 2022/ Q3 2021	Change % YTD 2022/ YTD 2021
Cash flows from operating activities	245 138	218 299	50 630	481 386	105 318	12,3	384,2	357,1
<i>of which:</i>								
Gross profit/(loss)	342 347	301 715	66 074	816 082	151 172	13,5	418,1	439,8
Depreciation/amortisation and impairment allowances	38 655	32 004	29 327	100 302	88 026	20,8	31,8	13,9
Changes to working capital	(24 369)	(104 627)	(41 719)	(312 555)	(123 467)	(76,7)	(41,6)	153,1
Other adjustments	(111 495)	(10 793)	(3 052)	(122 442)	(10 413)	933,0	3 553,7	1 075,8
Cash flows from investing activities	(27 300)	(34 938)	(40 168)	(102 740)	(103 066)	(21,9)	(32,0)	(0,3)
Cash flows from financing activities	(34 999)	(63 286)	(111 650)	(105 848)	(108 605)	(44,7)	(68,7)	(2,5)
Total cash flows	182 839	120 074	(101 188)	272 799	(106 353)	52,3	(280,7)	(356,5)

Cash flows from operating activities

In Q3 2022, net cash flow from operating activities reached PLN +245,138 thousand, compared with PLN +50,630 thousand in the same period of 2021 and PLN +218,299 thousand in the previous quarter. The positive cash flow in Q3 2022 was primarily due to the EBITDA achieved in the period offset in part by an increase in working capital and the effect of the recognition in the consolidated income statement of a positive valuation for unrealised/unpaid forward energy contracts that did not meet hedge accounting rules.

During the three quarters of 2022, cash flows from operating activities reached PLN +481,386 thousand, compared with PLN +105,318 thousand in the same period of 2021. The positive cash flows in the period between January and September this year resulted primarily from the generated EBITDA.

Cash flows from investing activities

In Q3 2022, net cash flow from investing activities reached PLN -27,300 thousand, compared with PLN -40,168 thousand in the same period of 2021 and PLN -34,938 thousand in the previous quarter. Expenditure on the purchase of tangible fixed assets resulted in negative cash flows from investing activities.

During the three quarters of 2022, flows amounted to PLN -102,740 thousand compared with PLN -103,066 thousand for the three quarters of 2021. The negative cash flows from investing activities in the current period resulted primarily from expenditures on tangible fixed assets.

Cash flows from financing activities

Flows from financing activities in Q3 2022 amounted to PLN -34,999 thousand, compared with PLN -111,650 thousand in Q3 2021 and PLN -63,286 thousand in the previous quarter. The negative cash flow from financing activities in the third quarter of this year was mainly influenced by dividend payments to APSA shareholders. The negative cash flow from financing activities in Q3 2021 was impacted by a bond redemption in SEK partly financed by a loan and also by dividend payments to APSA shareholders and non-controlling shareholders.

Flows from financing activities for the three quarters of 2022 reached PLN -105,848 thousand compared with PLN -108,605 thousand for the same period in 2021. The negative cash flow from financing activities in 2022 is mainly related to the repayment of loans and the payment of dividends to APSA shareholders and non-controlling shareholders.

Summary of standalone financial results

Selected items of the standalone income statement

PLN '000	Q3 2022	Q2 2022	Q3 2021	YTD 2022	YTD 2021	Change % Q3 2022/ Q2 2022	Change % Q3 2022/ Q3 2021	Change % YTD2022/ YTD2021
Sales revenues	4 071	60 669	49 937	68 341	54 627	(93)	(92)	25
<i>of which:</i>								
<i>Revenues from sales of services</i>	3 210	3 052	10 279	9 281	14 142	5	(69)	(34)
<i>Interest income on loans</i>	503	560	1 300	1 644	2 127	(10)	(61)	(23)
<i>Dividend income</i>	358	57 058	38 358	57 416	38 358	(99)	(99)	50
Profit on sales	2 101	58 593	47 558	62 187	51 481	(96)	(96)	21
<i>% of sales revenues</i>	<i>51,61</i>	<i>96,58</i>	<i>95,24</i>	<i>91,00</i>	<i>94,24</i>	<i>(45,0) p.p.</i>	<i>(43,6) p.p.</i>	<i>(3,2) p.p.</i>
Administrative expenses	(3 214)	(5 221)	(11 551)	(11 052)	(16 018)	(38)	(72)	(31)
Other operating income	142	117 055	191	117 209	478	(100)	(26)	24 421
Other operating expenses	(205)	17	(626)	(251)	(986)	(1 296)	(67)	(75)
EBIT	(1 176)	170 445	35 572	168 093	34 955	(101)	(103)	381
<i>% of sales revenues</i>	<i>(28,89)</i>	<i>280,94</i>	<i>71,23</i>	<i>245,96</i>	<i>63,99</i>	<i>(309,8) p.p.</i>	<i>(100,1) p.p.</i>	<i>182,0 p.p.</i>
EBITDA	(1 119)	170 489	35 649	168 446	35 272	(101)	(103)	378
<i>% of sales revenues</i>	<i>(27,48)</i>	<i>281,01</i>	<i>71,39</i>	<i>246,48</i>	<i>64,57</i>	<i>(308,5) p.p.</i>	<i>(98,9) p.p.</i>	<i>181,9 p.p.</i>
Financial income	1 579	1 140	2 351	3 312	3 429	39	(33)	(3)
Financial expenses	(874)	(3 645)	(4 701)	(6 685)	(12 242)	(76)	(81)	(45)
Gross profit/(loss)	(471)	167 940	33 222	164 720	26 142	(100)	(101)	530
Income tax	923	738	-	1 661	-	25	-	-
Net profit/(loss)	452	168 678	33 222	166 381	26 142	(100)	(99)	536
<i>% of sales revenues</i>	<i>11,09</i>	<i>5 527,46</i>	<i>57,49</i>	<i>243,46</i>	<i>47,86</i>	<i>(5 516,4) p.p.</i>	<i>(46,4) p.p.</i>	<i>195,6 p.p.</i>

Revenues, profit on sales, costs of sales

The main statutory activity of the Company is the activity of a holding company, consisting in managing of entities belonging to the controlled Capital Group. The operations of the Arctic Paper Group are conducted through Paper Mills and Pulp Mills, and Sales Offices.

Sales revenue for Q3 2022 reached PLN 4,071 thousand and came from dividends (PLN 358 thousand), the provision of services to Group companies (PLN 3,210 thousand) and interest on loans (PLN 503 thousand). In the same period of the previous year, standalone sales revenue reached PLN 49,937 thousand and consisted of dividend income (PLN 38,358 thousand), income from services provided to Group companies (PLN 10,279 thousand) and interest on loans (PLN 1,300 thousand).

During the three quarters of 2022, standalone sales revenue reached PLN 68,341 thousand, comprising revenue from the sale of services provided to Group companies (PLN 9,281 thousand), interest income from loans granted (PLN 1,644 thousand) and dividends (PLN 57,416 thousand).

During the three quarters of 2021, standalone sales revenue reached PLN 54,627 thousand, comprising revenue from the sale of services provided to Group companies (PLN 14,142 thousand), interest income from loans granted (PLN 2,127 thousand) and dividends (PLN 38,358 thousand).

The increase in sales revenue during the three quarters of 2022 compared to the same period of 2021 is mainly due to higher dividends received.

Profit on sales amounted to PLN 2,101 thousand in Q3 2021 (PLN 47,558 thousand for Q3 2021) and PLN 62,187 thousand for the three quarters of 2022 (PLN 51,481 thousand for the three quarters of 2021).

Administrative expenses

In Q3 2022, administrative expenses reached PLN 3,214 thousand and were lower than in the same period of the previous year by PLN 8,337 thousand. Administrative expenses for the three quarters of 2022 amounted to PLN 11,052 thousand compared with PLN 16,018 thousand for the same period in 2021.

The administrative expenses include costs of the administration of the Company operation, costs of services provided for the companies in the Group and all costs incurred by the Company for the purposes of pursuing holding company activities. Among them, a significant group of costs relates only to statutory activities and includes, among others: costs of tax, legal and accounting services, as well as the costs of the Supervisory Board and the Management Board.

Other operating income and expenses

Other operating income totalled PLN 142 thousand in Q3 2022 which was a decrease as compared to the same period of the previous year by PLN 49 thousand. Other operating expenses reached PLN 205 thousand in Q3 2022 (PLN 626 thousand in the same quarter of 2021).

For the three quarters of 2022, other operating income and expenses amounted to PLN 117,209 thousand and PLN 251 thousand respectively, and for the same period of 2021, PLN 478 thousand and PLN 986 thousand respectively.

The increase in other operating income in 2022 is due to the reversal of the write-down of the shares in Arctic Paper Investment AB (PLN 117,014 thousand).

Financial income and financial expenses

In Q3 2022, financial revenue reached PLN 1,579 thousand and was lower by PLN 772 thousand compared to the revenue generated in Q3 2021.

Financial expenses in Q3 2022 amounted to PLN 874 thousand. In the same period of 2021 financial expenses amounted to PLN 4,701 thousand.

For the three quarters of 2022, financial income and expenses amounted to PLN 3,312 thousand and PLN 6,685 thousand respectively, and for the same period of 2021, PLN 3,429 thousand and PLN 12,242 thousand respectively. The lower financial expenses in 2022 were mainly due to lower interest expenses and other financial expenses.

Selected items of the standalone statement of financial position

<i>PLN '000</i>	30.09.2022	31.12.2021	30.09.2021	Change 30.09.2022 -31.12.2021	Change 30.09.2022 -30.09.2021
Fixed assets	809 352	686 451	681 801	122 901	127 551
Receivables	43 283	31 903	33 340	11 380	9 943
Other current assets	26 321	123 978	128 715	(97 657)	(102 394)
Cash and cash equivalents	149 186	14 966	21 149	134 220	128 037
Total assets	1 028 143	857 299	865 005	170 844	163 138
Equity	720 842	577 059	578 453	143 783	142 389
Short-term liabilities	213 324	174 841	167 398	38 483	45 926
<i>interest-bearing debt</i>	172 517	145 648	138 178	26 869	34 339
Long-term liabilities	93 978	105 398	119 155	(11 420)	(25 177)
<i>interest-bearing debt</i>	89 171	101 546	116 201	(12 375)	(27 030)
Total equity and liabilities	1 028 143	857 299	865 005	170 844	163 138

As at 30 September 2022, total assets amounted to PLN 1,028,143 thousand as compared to PLN 857,299 thousand at the end of 2021.

The increase in assets was mainly due to lower fixed assets and cash in the period under review.

Fixed assets

As at the end of September 2022 fixed assets represented nearly 78.7% of total assets which means that the share decreased (by 1.4 p.p.) compared to the end of 2021. The main item of fixed assets includes interests in subsidiaries. Their value at the end of Q3 2022 amounted to PLN 795,701 thousand and increased in comparison with the balance at the end of 2021 by an amount of PLN 117,066 thousand (reversal of a write-down for shares in Arctic Paper Investment AB and acquisition of shares in Kostrzyn Packaging Sp. z o.o.)

Current assets

As at the end of September 2022, current assets amounted to PLN 218,790 thousand as compared to PLN 170,848 thousand at the end of 2021. The level of current assets increased at the end of September 2022, primarily in terms of cash and cash equivalents. As at the end of Q3 2022, current assets represented 21.3% of total assets compared to 19.9% as at the end of last year.

Within current assets, receivables increased by PLN 11,380 thousand, other current assets decreased by PLN 97,657 thousand, while cash and cash equivalents increased by PLN 134,220 thousand.

Equity

In Q3 2022, the equity amounted to PLN 720,842 thousand as compared to PLN 577,059 thousand at the end of 2021. As at the end of September 2022, equity accounted for 70.1% of balance sheet total vs. 67.3% of balance sheet total as at the end of 2021. The increase of equity is primarily due to the net profit for three quarters of 2022.

Short-term liabilities

As at the end of September 2022, current liabilities amounted to PLN 213,324 thousand (20.7% of balance sheet total) as compared to PLN 174,841 thousand as at the end of 2021 (20.4% of balance sheet total). The increase in current liabilities is due to an increase in cash-pool interest-bearing liabilities.

Long-term liabilities

As at the end of September 2022, long-term liabilities amounted to PLN 93,978 thousand (9.1% of balance sheet total) as compared to PLN 105,398 thousand as at the end of 2021 (12.4% of balance sheet total).

The decrease in non-current liabilities is due to Company's repayment of loan instalments in accordance with the schedule.

Selected items of the standalone statement of cash flow

PLN '000	Q3 2022	Q2 2022	Q3 2021	YTD 2022	YTD 2021	Change % Q3 2022/ Q2 2022	Change % Q3 2022/ Q3 2021	Change % YTD 2022/ YTD 2021
Cash flows from operating activities	106 120	95 002	(27 014)	194 364	(58 177)	(1 486)	681	(386,5)
<i>of which:</i>								
Gross profit/(loss)	(471)	167 940	34 122	164 720	26 142	(100)	(101)	530,1
Depreciation/amortisation and impairment allowances	58	(116 784)	77	354	317	(100)	(25)	11,5
Changes to working capital	(4 215)	2 698	(2 389)	(600)	(4 328)	(1 284)	1 237	554,2
Net interest and dividends	127	(696)	572	724	4 857	(118)	(78)	(85,1)
Increase/decrease of loans granted to subsidiaries	2 037	1 618	3 020	4 963	43 062	26	(33)	(88,5)
Change to liabilities due to cash-pooling	110 265	44 326	(59 851)	142 986	(131 599)	149	(284)	(208,7)
Other adjustments	(1 680)	(4 100)	(2 565)	(118 782)	3 371	(59)	(35)	(3 623,1)
Cash flows from investing activities	-	(50)	-	(50)	-	(100)	-	-
Cash flows from financing activities	(26 379)	(33 228)	25 671	(60 094)	39 178	(104)	12 293	(182,6)
Total cash flows	79 741	61 723	(1 344)	134 219	(18 999)	29	12 975	(806,5)

The cash flow statement shows an increase in cash during the three quarters of 2022 of PLN 134,219 thousand, consisting of:

- positive cash flows from operating activities of PLN 194,364 thousand,
- negative cash flow from investing activities of PLN 50,
- negative cash flows from financing activities of PLN 60,094 thousand

Cash flows from operating activities

In the three quarters of 2022, net cash flow from operating activities reached + PLN 194,364 thousand compared with + PLN -58,177 thousand in the same period of 2021. The positive operating cash flow in the three quarters of the current year was mainly due to the change in gross profit and cash-pooling liabilities.

Cash flows from investing activities

In the three quarters of 2022, flows from investing activities amounted to PLN -50 thousand and resulted from the acquisition of shares in Kostrzyn Packaging Sp. z o.o.

Cash flows from financing activities

In 2022, cash flows from financing activities amounted to PLN -60,094 thousand as compared to PLN 39,178 thousand in 2021. The flow from financing activities in 2022 was related to the repayment of the Company's borrowings and payment of dividend.

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 activity has 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.

Most of the pulp supplies to our paper mills are from suppliers outside the Group. Most of the pulp produced at the 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 Q3 2022, there were no unusual events or factors.

Impact of changes in Arctic Paper Group's structure on the financial result

In Q3 2022, there were no material changes in the Arctic Paper Group's structure that would have material impact on the financial results generated.

Other material information

Joint investment by Arctic Paper and Rottneros

On 21 October 2021, Arctic Paper SA and Rottneros AB signed a letter of intent regarding the establishment of a joint venture to build a moulded pulp fibre packaging plant. The new factory in Kostrzyn nad Odrą, Poland, is scheduled to be operational by the end of 2023. It is estimated that the value of the investment will amount to EUR 12-15 million (around PLN 55-70 million), of which the Issuer's share will be 50%. The method of financing the investment is still being determined.

On 10 February 2022, the Company's Supervisory Board expressed a favourable opinion as to whether the Company should take steps to conclude the aforementioned partnership agreement.

The production capacity of the new factory is estimated at 60-80 million trays per year. According to the Issuer's estimates, the investment will generate annual revenue of EUR 9-11 million (around PLN 40-50 million).

The new investment will utilise Rottneros Packaging AB's expertise in pulp packaging. The planned products include both non-laminated and laminated trays for so-called modified atmosphere packaging with an oxygen barrier, which provides up to three weeks of shelf life for packaged items.

The investment is an important element of the implementation of the new Arctic Paper 4P strategy, which consists in expanding the Arctic Paper offer by new, fast-growing segments (packaging production, manufacturing and energy trading).

In May 2022, Kostrzyn Packaging Sp. z o.o. was founded for the above purpose.

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

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

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

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

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

Discontinuation of production of one grade of mechanical pulp by a subsidiary

On 16 August 2022, the Management Board of Rottneros AB ("Rottneros"), a subsidiary listed on the NASDAQ Stockholm Stock Exchange in Sweden, decided to cease production of one of the mechanical pulp grades, wood pulp, at the Rottneros mill, due to the lack of further prospects for long-term and sustainable profitability.

As a result of the decision, around 40 people will be made redundant. The estimated cost of closing the production line will be around SEK 60 million (PLN 27 million), consisting mainly of redundancy costs, which have been included in Rottneros' result for Q3 2022.

As a result of the decision, the Rottneros electricity futures portfolio will be adjusted and surpluses will be realised at current market prices. The value of Rottneros' electricity futures is high, meaning that the impact of the line closure on earnings is estimated to be significantly lower than the cost of closing the line.

The production line is planned to be stopped at the end of 2022, after negotiations with the trade unions. In the next few years, Rottneros plans to invest SEK 160-200 million (PLN 70-90 million) to significantly increase its chemothermomechanical pulp (CTMP) production capacity. The aim is to increase production levels to at least 150,000 tonnes per year from the current 120,000 tonnes.

Factors influencing the development of the Arctic Paper Group

Information on market trends

Supplies of fine paper

In Q3 2022 the Arctic Paper Group recorded an increased level of orders versus Q2 2022 by 1.9% and an increase of orders versus the same period of 2021 by 0.6%.

Source of data: Arctic Paper analysis

Paper prices

At the end of Q3 2022, prices for uncoated wood-free papers (UWF) in Europe increased by 47.2% compared to prices at the end of September 2021, while for coated wood-free papers (CWF) they recorded an increase of 65.7%.

At the end of September 2022, the average prices declared by producers for selected types of paper and markets: Germany, France, Spain, Italy, UK for both uncoated wood-free (UWF) and coated wood-free (CWF) papers were higher than at the end of Q2 2022 by 5.7% and 5.8% respectively.

The prices invoiced by Arctic Paper in EUR for comparable products in the segment of uncoated wood-free paper (UWF) increased from the end of June 2022 until the end of September 2022 by 2.7% on the average while in the segment of coated wood-free paper (CWF) the prices increased by 0.3%. At the end of Q3 2022, Arctic Paper's invoiced prices for uncoated wood-free (UWF) paper increased by 51.6% compared to prices at the end of September 2021, while for coated wood-free (CWF) paper they recorded an increase of 62.2%.

Source: For market data – RISI, price changes for selected markets in Germany, France, Spain, Italy and the UK in local currencies for graphic papers similar to the product portfolio of the Arctic Paper Group. The prices are quoted without considering specific rebates for individual clients and they include neither any additions nor price reductions in relation to the publicly available price lists. The estimated prices for each month reflect orders placed in the month while the deliveries may take place in the future. Because of that, RISI price estimates for a particular month do not reflect the actual prices at which deliveries are performed but only express ordering prices. For Arctic Paper products, the average invoiced sales prices for all served markets in EUR.

Pulp prices

At the end of Q3 2022, the pulp prices reached the level of: NBSK – USD 1.498/tonne and BHKP – USD 1.380/tonne.

The average NBSK price in Q3 2021.2021 was higher by 10.8% compared to the same period of last year while for BHKP the average price was higher by 20.2%. Compared to Q2 2022, the average NBSK pulp price in Q3 2021 increased by 7.3% and BHKP increased by 9.9%.

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

The average pulp cost used for production of paper calculated for the Arctic Paper Group in PLN increased in Q3 2022 versus Q2 2022 by 18% while in relation to Q3 2021 it increased by 42.3%.

The share of pulp costs in overall selling costs after 9 months of the current year was 60% versus about 55% in the same quarter in 2021.

The Arctic Paper Group uses the pulp in the production process according to the following structure: BHKP 71%, NBSK 22% and other 7%.

Source of data: www.foex.fi Arctic Paper analysis

Currency exchange rates

At the end of Q3 2022, the EUR/PLN rate amounted to 4.8698 and was by 5.1% higher than at the end of Q3 2021. The mean EUR/PLN exchange rate in Q3 2022 amounted to 4.7469 and was by 3.9% higher than in the same period of 2021.

The EUR/SEK exchange rate amounted to 10.9066 at the end of Q3 2022 (increase by 6.9% versus the end of Q3 2021). For that currency pair, the mean exchange rate in Q3 2022 was by 4.2% higher than in the same period of 2021. The weakening SEK versus EUR has been positively impacting the revenues invoiced in EUR in the factories in Sweden (AP Munkedals and AP Grycksbo).

The USD/PLN exchange rate as at the end of September 2022 amounted to 4.9533. In Q3 2022 the mean USD/PLN exchange rate was 4.7139 versus 3.8740 in the same period of the previous year which was an increase by 21.7%. The change has very adversely affected the costs incurred in USD by AP Kostrzyn, in particular the costs of pulp.

The USD/SEK exchange rate as at the end of Q3 2022 amounted to 11.0936. From July to September 2022 the mean exchange rate amounted to 10.5523 compared to 8.6488 in the same period of the previous year which was a decrease of the rate by 22%. The change in comparison to Q3 2021 very adversely affected the costs incurred in USD by AP Munkedals and AP Grycksbo, in particular the costs of pulp.

The EUR/USD exchange rate at the end of September this year was 0.9831, compared to 1.1604 at the end of September 2021 (-15.3%). The quarterly average exchange rate of the currency pair described was also characterised by a very significant depreciation of the EUR against the USD (-14.6%).

In Q3 2022, EUR weakened a lot against USD versus Q2 2022 (-5.5%).

The depreciation of PLN versus EUR versus last year has favourably affected the Group's financial profit, mainly due to increased sales revenues generated in EUR and translated into PLN. The strengthening of the USD against the PLN had a negative impact on the Group's financial results through higher purchase costs for the main raw material at the Kostrzyn Mill. The weakening SEK had a favourable impact on revenues generated in EUR at APM and APG factories.

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

The material factors that have an impact on the financial results over the next months, include:

- Shaping demand for high-grade papers in Europe in the context of the war in Ukraine.

The geopolitical situation in Europe due to the war in Ukraine is creating uncertainty for the overall economic situation. The economic sanctions imposed on Russia may result in a reduction in demand for the products offered by the Group and thus negatively affect the Group's financial performance.

- Shaping demand for high-grade papers in Europe in the post-COVID-19 pandemic period.

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. Changes during the pandemic, such as the intensification of remote working and the wider use of electronic media, may have an additional impact on reducing demand for high-quality graphic papers and thus negatively affect the Group's financial performance.

- Price changes of fine paper. In particular, financial performance will be impacted by the ability to maintain, or increase, the current price level of Arctic Paper's products in local currencies, in view of intensely rising raw material costs, and in view of weakening supply/demand levels in Europe, as well as in the context of exchange rate movements.
- 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, growing NBSK prices may positively influence financial the 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

In Q3 2022, there were no material changes to the risk factors. Those were presented in detail in the semi-annual report for 2022.

Supplementary information

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

The Management Board of Arctic Paper S.A. has not published the projected financial results for 2022.

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

Managing and supervising persons	Number of shares or rights to shares as at 07.11.2022	Number of shares or rights to shares as at 30.09.2022	Number of shares or rights to shares as at 10.08.2022	Change
Management Board				
Michał Jarczyński	-	-	-	-
Göran Eklund	-	-	-	-
Supervisory Board				
Per Lundeen	34 760	34 760	34 760	-
Thomas Onstad*	6 223 658	6 223 658	6 223 658	-
Roger Mattsson	-	-	-	-
Zofia Dzik	-	-	-	-
Anna Jakubowski	-	-	-	-

*Figures in the table do not include shares held indirectly

Information on sureties and guarantees

As at 30 September 2022, the Capital Group reported:

- pledge on properties of Arctic Paper Grycksbo AB resulting from an FPG agreement in favour of the mutual life insurance company PRI for SEK 50,000 thousand;
- a contingent liability related to a guarantee for FPG in favour of mutual life insurance company PRI in the amount of SEK 276 thousand in Arctic Paper Grycksbo AB and of SEK 764 thousand in Arctic Paper Munkedals AB;
- pledge on properties of Arctic Paper Munkedals AB resulting from an FPG contract in favour of the mutual life insurance company PRI for SEK 50,000 thousand;
- 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 578 thousand;
- pledge on properties held by Arctic Paper Munkedals Kraft AB as required by loan agreements with Nordea Bank for SEK 80,000 thousand (related to the investment in the hydro power plant);
- pledges on shares in subsidiary companies in the Rottneros Group for SEK 284,730 thousand under loan agreements concluded with Danske Bank.

In connection with the term and revolving loan agreements signed on 02 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 and interests registered in Poland, owned by the Company and the Guarantors, in companies in the Company Group (with the exception of Rottneros AB, Arctic Paper Mochenwangen GmbH and Arctic Paper Investment GmbH), except the shares in the Company;
 - › mortgages on all real properties located in Poland and belonging to the Guarantors;
 - › registered pledges on all material rights and movable assets owned by the Company and the Guarantors, constituting an organised part of enterprise, located in Poland (with the exception of the assets listed in the Loan Agreement);
 - › assignment of (existing and future) insurance policies covering the assets of the Company and the Guarantors (with the exception of insurance policies listed in the Loan Agreement);
 - › declaration by the Company and the Guarantors on voluntary submission to enforcement, in the form of a notary deed;
 - › financial pledges and registered pledges on the bank accounts of the Company and the Guarantors, registered in Poland;
 - › powers of attorney to Polish bank accounts of the Company and the Guarantors, registered in Poland.
2. under Swedish law – Collateral Documents establishing the following Collateral:
- › pledges on all shares held by the Company and the Guarantors, registered in Poland, belonging to the companies of the group, with the exception of the Company's shares
 - › mortgages on all real properties located in Sweden and owned by the Company and the Guarantors as long as such collateral covers solely the existing mortgage deeds;
 - › corporate mortgage loans granted by the Guarantors registered in Sweden as long as such collateral covers solely the existing mortgage deeds;
 - › assignment of (existing and future) insurance policies covering the assets of the Company and the Guarantors (with the exception of insurance policies listed in the Loan Agreement);
 - › pledges on Swedish bank accounts of the Company and the Guarantors as long as such collateral is without prejudice to free management of funds deposited on bank accounts until an event of default specified in the Loan Agreement.

Material off-balance sheet items

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

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

During the period under report, Arctic Paper S.A. and its subsidiaries were not a party to any proceedings pending before a court, arbitration or public administrative authority, the individual or joint value of which would equal or exceed 10% of the Company's equity.

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

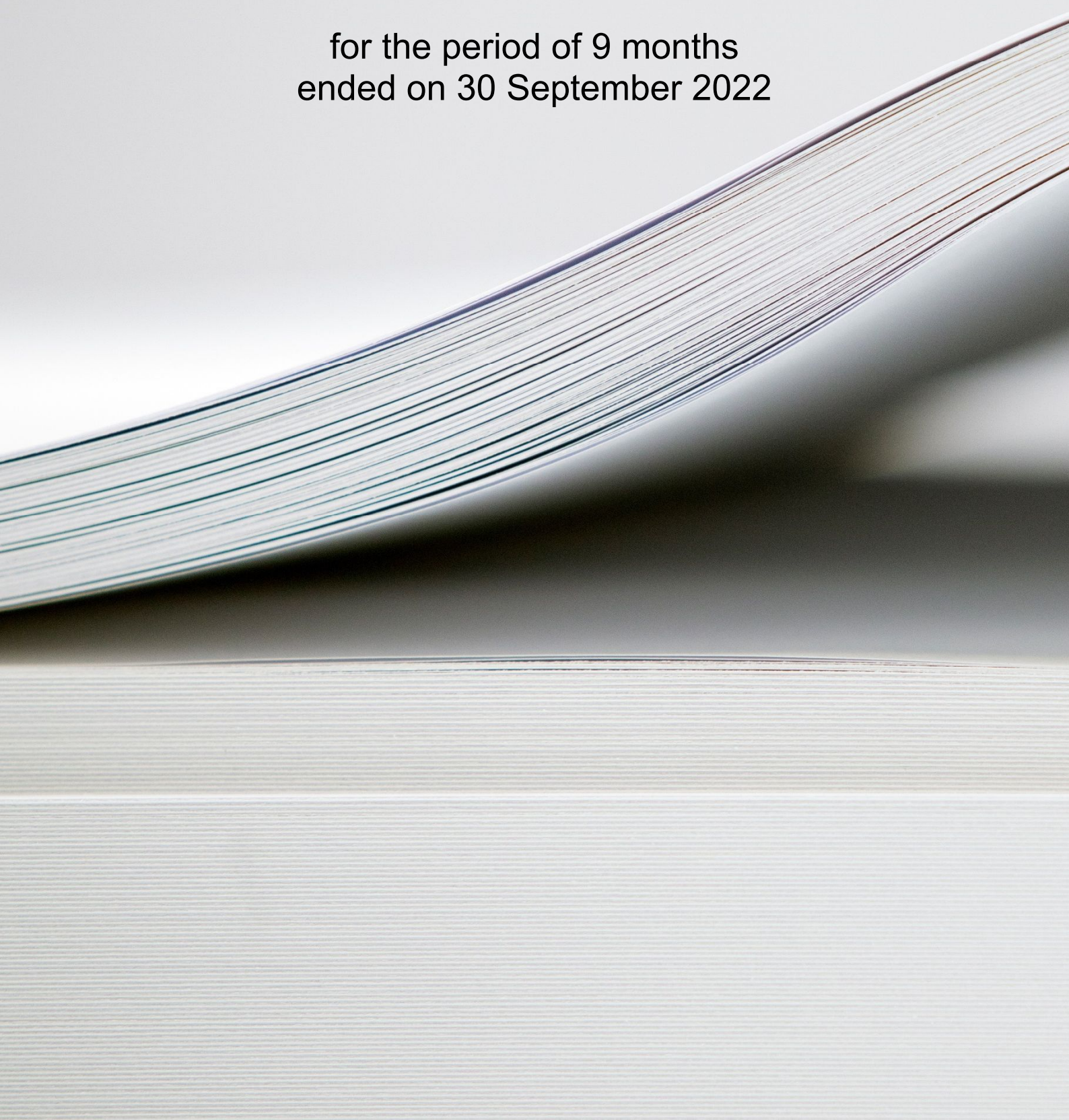
During the period under report, Arctic Paper S.A. and its subsidiaries did not execute any material transactions with related entities on non-market terms and conditions.

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	07 November 2022	signed with a qualified electronic signature
Member of the Management Board Chief Financial Officer	Göran Eklund	07 November 2022	signed with a qualified electronic signature

Interim abbreviated financial statements

for the period of 9 months
ended on 30 September 2022



Interim abbreviated consolidated financial statements

Interim abbreviated consolidated statement of profit and loss

	3-month period ended on 30 September 2022 (unaudited)	9-month period ended on 30 September 2022 (unaudited)	3-month period ended on 30 September 2021 (unaudited)	9-month period ended on 30 September 2021 (unaudited)
Continuing operations				
Revenues from sales of products	1 402 141	3 809 178	889 656	2 459 029
Sales revenues	1 402 141	3 809 178	889 656	2 459 029
Costs of sales	(987 449)	(2 638 763)	(707 169)	(1 953 447)
Profit/(loss) on sales	414 692	1 170 414	182 488	505 582
Selling and distribution costs	(122 515)	(345 874)	(98 547)	(280 780)
Administrative expenses	(34 882)	(94 406)	(23 164)	(71 832)
Other operating income	13 067	56 426	20 709	46 276
Other operating expenses	(10 809)	(52 869)	(8 712)	(28 765)
Operating profit/(loss)	259 552	733 692	72 773	170 481
Financial income	84 519	90 220	333	2 070
Financial expenses	(1 725)	(7 830)	(7 032)	(21 379)
Gross profit/(loss)	342 347	816 082	66 074	151 172
Income tax	(60 804)	(134 082)	(12 713)	(29 942)
Net profit/(loss)	281 542	682 000	53 361	121 230
Attributable to:				
The shareholders of the Parent Entity	221 853	558 402	36 843	84 309
Non-controlling shareholders	59 689	123 598	16 518	36 921
	281 542	682 000	53 361	121 230
Earnings per share:				
– basic earnings from the profit/(loss) attributable to the shareholders of the Parent Entity	3.20	8.06	0.53	1.22
– diluted earnings from the profit attributable to the shareholders of the Parent Entity	3.20	8.06	0.53	1.22

Interim abbreviated consolidated statement of comprehensive income

	3-month period ended on 30 September 2022 (unaudited)	9-month period ended on 30 September 2022 (unaudited)	3-month period ended on 30 September 2021 (unaudited)	9-month period ended on 30 September 2021 (unaudited)
Profit for the reporting period	281 542	682 000	53 361	121 230
Other comprehensive income				
<i>Items to be reclassified to profit/(loss) in future reporting periods:</i>				
FX differences on translation of foreign operations	23 267	48	13 301	(5 835)
Measurement of financial instruments	195 183	538 082	42 362	52 152
Deferred income tax on the measurement of financial instruments	(40 395)	(109 600)	(9 001)	(10 064)
<i>Items that were reclassified to profit/(loss) during the reporting period:</i>				
Measurement of financial instruments	(67 306)	(83 253)	(1 932)	(4 669)
Deferred income tax on the measurement of financial instruments	13 739	16 957	604	901
<i>Items not to be reclassified to profit/loss in future reporting periods:</i>				
Actuarial profit/(loss) for defined benefit plans	-	9 662	-	3 004
Deferred tax on actuarial gains/(losses)	-	(1 927)	-	(619)
Other net comprehensive income	124 488	369 969	45 334	34 871
Total comprehensive income for the period	406 030	1 051 970	98 695	156 101
Total comprehensive income attributable to:				
The shareholders of the Parent Entity	316 742	823 014	66 561	113 087
Non-controlling shareholders	89 288	228 955	32 134	43 015

Interim abbreviated consolidated statement of financial position

	As at 30 September 2022 (unaudited)	As at 30 June 2022 (after review)	As at 31 December 2021	As at 30 September 2021 (unaudited)
ASSETS				
Fixed assets				
Tangible fixed assets	1 149 710	1 146 693	1 155 280	1 108 060
Investment properties	2 978	2 978	2 978	3 086
Intangible assets	59 427	57 305	56 667	46 318
Goodwill	9 377	9 183	9 421	9 540
Interests in joint ventures	3 934	2 894	2 943	1 658
Other financial assets	257 440	292 391	59 858	57 383
Other non-financial assets	321	310	300	316
Deferred income tax assets	6 624	7 018	14 304	19 872
	1 489 812	1 518 773	1 301 750	1 246 233
Current assets				
Inventories	505 443	478 889	402 868	391 816
Trade and other receivables	743 774	650 903	402 530	449 071
Corporate income tax receivables	9 061	8 693	8 409	9 057
Other non-financial assets	16 007	15 998	8 424	25 526
Other financial assets	438 462	185 414	97 358	28 988
Cash and cash equivalents	441 734	254 574	167 927	145 891
	2 154 481	1 594 471	1 087 516	1 050 350
TOTAL ASSETS	3 644 293	3 113 244	2 389 266	2 296 582

	As at 30 September 2022 (unaudited)	As at 30 June 2022 (after review)	As at 31 December 2021	As at 30 September 2021 (unaudited)
EQUITY AND LIABILITIES				
Equity				
Equity (attributable to the shareholders of the Parent Entity)				
Share capital	69 288	69 288	69 288	69 288
Reserve capital	407 976	407 976	407 976	407 976
Other reserves	451 806	372 355	201 226	172 448
FX differences on translation	7 903	(7 535)	7 534	12 749
Retained earnings/Accumulated losses	770 464	548 610	226 113	179 818
	1 707 437	1 390 694	912 137	842 278
Non-controlling interests	539 726	450 439	330 859	310 892
	2 247 163	1 841 133	1 242 996	1 153 170
Long-term liabilities				
Interest-bearing loans and bonds	164 629	165 699	161 210	217 510
Provisions	1 340	1 312	1 346	1 363
Employee liabilities	87 902	94 161	111 993	121 193
Other financial liabilities	24 688	26 265	29 153	25 449
Deferred income tax liability	221 893	179 652	106 633	79 392
Grants and deferred income	11 354	12 197	13 870	12 212
	511 806	479 285	424 205	457 119
Short-term liabilities				
Interest-bearing loans and bonds	37 295	36 861	84 489	78 732
Provisions	384	266	494	572
Other financial liabilities	15 528	13 152	12 170	10 796
Trade and other payables	630 434	591 082	506 812	485 310
Employee liabilities	129 260	100 215	107 028	84 600
Income tax liability	58 676	36 923	3 914	13 042
Grants and deferred income	13 747	14 325	7 158	13 240
	885 323	792 825	722 065	686 294
TOTAL LIABILITIES	1 397 130	1 272 111	1 146 270	1 143 412
TOTAL EQUITY AND LIABILITIES	3 644 293	3 113 244	2 389 266	2 296 582

Interim abbreviated consolidated statement of cash flow

	3-month period ended on 30 September 2022 (unaudited)	9-month period ended on 30 September 2022 (unaudited)	3-month period ended on 30 September 2021 (unaudited)	9-month period ended on 30 September 2021 (unaudited)
Cash flows from operating activities				
Gross profit/(loss)	342 347	816 082	66 074	151 172
Adjustments for:				
Depreciation/amortisation	38 655	100 302	29 327	88 026
FX gains/(loss)	341	4 454	(2 341)	1 653
Interest, net	572	4 227	6 343	15 627
Profit/(loss) from investing activities	71	68	(1)	379
(Increase) / decrease in receivables and other non-financial assets	(83 099)	(351 222)	(69 492)	(179 443)
(Increase) / decrease in inventories	(19 031)	(103 463)	(1 675)	(29 632)
Increase (decrease) of liabilities except loans, borrowings, bonds and other financial liabilities	58 881	133 408	43 247	110 837
Change in provisions	184	(850)	447	416
Income tax paid	(25 380)	(51 685)	(6 260)	(27 285)
Movement in pension provisions and employee liability	18 881	8 722	(13 799)	(25 230)
Change in grants and deferred income	(1 599)	4 050	5 387	5 327
Co-generation certificates and CO2 emission rights	(1 772)	(4 549)	(6 555)	(5 747)
Change in settlement of realised forward contracts that meet hedge accounting rules	(14 582)	(8 332)	-	-
Change in accounting for unrealized forward contracts not meeting hedge accounting rules	(69 259)	(69 259)		
Other	(70)	(566)	(71)	(783)
Net cash flows from operating activities	245 138	481 386	50 630	105 318
Cash flows from investing activities				
Disposal of tangible fixed assets and intangible assets	-	-	-	11
Purchase of tangible fixed assets and intangible assets	(26 300)	(101 740)	(40 168)	(103 973)
Other capital outflows / inflows	(1 000)	(1 000)	(0)	896
Net cash flows from investing activities	(27 300)	(102 740)	(40 168)	(103 066)
Cash flows from financing activities				
Change to overdraft facilities	3	(18 319)	44 770	44 770
Repayment of leasing liabilities	(2 320)	(7 597)	(4 008)	(10 936)
Inflows/repayment of other financial liabilities	(226)	(226)	(449)	(0)
Inflows under loans and bonds	-	-	69 954	215 575
Repayment of loans, borrowings and debt securities	(4 207)	(27 760)	(179 206)	(306 567)
Dividend disbursed to shareholders of AP SA	(27 715)	(27 715)	(20 786)	(20 786)
Dividend disbursed to non-controlling shareholders	0	(20 088)	(15 179)	(15 179)
Interest paid	(534)	(4 142)	(6 746)	(15 481)
Net cash flows from financing activities	(34 999)	(105 848)	(111 650)	(108 605)
Increase/(decrease) in cash and cash equivalents	182 839	272 799	(101 188)	(106 353)
Net FX differences	4 321	1 007	2 315	(3 320)
Cash and cash equivalents at the beginning of the period	254 574	167 927	244 764	255 563
Cash and cash equivalents at the end of the period	441 734	441 734	145 891	145 891

Interim abbreviated consolidated statement of changes in equity

	Attributable to the shareholders of the Parent Entity							Equity attributable to non-controlling shareholders	Total equity
	Share capital	Reserve capital	FX differences on translation of foreign operations	Other reserves	Retained earnings (Accumulated losses)	Total			
As at 01 January 2022	69 288	407 976	7 534	201 226	226 113	912 137	330 859	1 242 996	
Net profit/(loss) for the period	-	-	-	-	558 402	558 402	123 598	682 000	
Other net comprehensive income for the period	-	-	369	256 508	7 735	264 612	105 358	369 969	
Total comprehensive income for the period	-	-	369	256 508	566 137	823 014	228 955	1 051 970	
Profit distribution /Dividend for shareholders of AP SA	-	-	-	(5 928)	(21 787)	(27 715)	-	(27 715)	
Dividend distribution to non-controlling entities	-	-	-	-	-	-	(20 088)	(20 088)	
As at 30 September 2022 (unaudited)	69 288	407 976	7 903	451 806	770 464	1 707 437	539 726	2 247 163	

	Attributable to the shareholders of the Parent Entity							Equity attributable to non-controlling shareholders	Total equity
	Share capital	Reserve capital	FX differences on translation of foreign operations	Other reserves	Retained earnings (Accumulated losses)	Total			
As at 01 January 2021	69 288	407 976	15 827	160 376	96 510	749 977	283 056	1 033 033	
Net profit/(loss) for the period	-	-	-	-	84 309	84 309	36 921	121 230	
Other net comprehensive income for the period	-	-	(3 079)	29 471	2 386	28 778	6 093	34 870	
Total comprehensive income for the period	-	-	(3 079)	29 471	86 695	113 087	43 014	156 101	
Profit distribution /Dividend for shareholders of AP SA	-	-	-	(17 399)	(3 387)	(20 786)	-	(20 786)	
Dividend distribution to non-controlling entities	-	-	-	-	-	-	(15 179)	(15 179)	
As at 30 September 2021 (unaudited)	69 288	407 976	12 749	172 448	179 818	842 278	310 892	1 153 170	

Interim abbreviated standalone financial statements

Interim abbreviated standalone statement of profit and loss

	3-month period ended on 30 September 2022 (unaudited)	9-month period ended on 30 September 2022 (unaudited)	3-month period ended on 30 September 2021 (unaudited)	9-month period ended on 30 September 2021 (unaudited)
Continuing operations				
Revenues from sales of services	3 210	9 281	10 279	14 142
Interest income on loans	503	1 644	1 300	2 127
Dividend income	358	57 416	38 358	38 358
Sales revenues	4 071	68 341	49 937	54 627
Interest expense to related entities and costs of sales of logistics services	(1 970)	(6 154)	(2 379)	(3 146)
Profit/(loss) on sales	2 101	62 187	47 558	51 481
Other operating income	142	195	191	478
Administrative expenses	(3 214)	(11 052)	(11 551)	(16 018)
Impairment allowances to assets	-	117 014	(544)	(904)
Other operating expenses	(205)	(251)	(81)	(82)
Operating profit/(loss)	(1 176)	168 093	35 572	34 955
Financial income	1 579	3 312	2 351	3 429
Financial expenses	(874)	(6 685)	(4 701)	(12 242)
Gross profit/(loss)	(471)	164 720	33 222	26 142
Income tax	370	1 661	-	-
Net profit/(loss) for the financial year	(101)	166 381	33 222	26 142
Earnings per share:				
– basic earnings from the profit/(loss) for the period (in PLN)	(0.00)	2.40	0.48	0.38
– basic earnings from the profit/(loss) from continuing operations for the period (in PLN)	(0.00)	2.40	0.48	0.38

Interim abbreviated standalone statement of comprehensive income

	3-month period ended on 30 September 2022 (unaudited)	9-month period ended on 30 September 2022 (unaudited)	3-month period ended on 30 September 2021 (unaudited)	9-month period ended on 30 September 2021 (unaudited)
Net profit/(loss) for the reporting period	(101)	166 381	33 222	26 142
<i>Items that have been reclassified to the result in the current reporting period:</i>				
Measurement of financial instruments	-	-	-	2 574
<i>Items to be reclassified to profit/(loss) in future reporting periods:</i>				
Measurement of financial instruments	1 330	4 954	2 216	(232)
Deferred income tax on the measurement of financial instruments	(3 370)	1 685	-	-
FX differences on translation of foreign operations	130	130	162	5 307
Other comprehensive income (net)	(1 910)	6 801	7 523	2 502
Total comprehensive income	(2 011)	173 182	40 745	28 644

Interim abbreviated standalone statement of financial position

	As at 30 September 2022 (unaudited)	As at 30 June 2022 (after review)	As at 31 December 2021 (transformed)	As at 30 September 2021 (transformed)
ASSETS				
Fixed assets				
Tangible fixed assets	485	541	797	798
Intangible assets	1 336	1 319	1 319	1 322
Shares in subsidiaries	795 701	795 701	678 635	676 137
Other financial assets	11 830	11 315	5 701	3 544
	809 352	808 876	686 451	681 801
Current assets				
Trade and other receivables	34 109	32 062	31 868	33 336
Income tax receivables	9 174	8 880	35	4
Other financial assets	21 482	67 802	121 104	123 767
Other non-financial assets	4 839	4 593	2 874	4 948
Cash and cash equivalents	149 186	69 445	14 966	21 149
	218 790	182 782	170 848	183 204
TOTAL ASSETS	1 028 143	991 658	857 299	865 005
EQUITY AND LIABILITIES				
Equity				
Share capital	69 288	69 288	69 288	69 288
Reserve capital	427 502	427 502	427 502	427 502
Other reserves	123 526	123 171	124 500	121 684
FX differences on translation	918	1 048	756	610
Retained earnings/Accumulated losses	99 608	99 709	(44 986)	(40 632)
Total equity	720 842	720 718	577 059	578 453
Long-term liabilities				
Interest-bearing loans, borrowings and bonds	89 171	87 422	101 546	116 201
Employee liabilities	3 103	3 039	3 117	2 803
Deferred income tax liability	1 685	1 685	606	-
Other long-term liabilities	19	27	128	151
	93 978	92 173	105 397	119 155
Short-term liabilities				
Interest-bearing loans, borrowings and bonds	172 517	108 597	145 648	138 178
Trade payables	22 527	30 258	27 307	22 826
Other financial liabilities	58	79	111	353
Other short-term liabilities	8 859	30 519	1 776	6 041
Income tax liability	9 363	9 316	-	-
	213 324	178 769	174 841	167 398
TOTAL LIABILITIES	307 302	270 941	280 239	286 553
TOTAL EQUITY AND LIABILITIES	1 028 143	991 658	857 299	865 005

Interim abbreviated standalone statement of cash flow

	3-month period ended on 30 September 2022 (unaudited)	9-month period ended on 30 September 2022 (unaudited)	3-month period ended on 30 September 2021 (unaudited)	9-month period ended on 30 September 2021 (unaudited)
Cash flows from operating activities				
Gross profit/(loss)	(471)	164 720	34 122	26 142
Adjustments for:				
Depreciation/amortisation	58	354	77	317
FX gains/(loss)	(1 581)	(2 277)	(2 765)	(408)
Impairment of assets	-	(117 014)	-	-
Net interest	127	724	572	4 857
Profit/(loss) from investing activities	(19)	(59)	(19)	242
Increase/decrease in receivables and other non-financial assets	(2 587)	(2 587)	(13 345)	(5 187)
Increase/decrease in liabilities except for loans, borrowings and debt securities	(29 390)	(1 675)	3 382	859
Change in accruals and prepayments	47	9 363	5 515	-
Change in provisions	13	(2)	48	(34)
Change to liabilities due to cash-pooling	110 265	142 986	(59 851)	(131 599)
Increase/decrease of loans granted to subsidiaries	2 037	4 963	3 020	43 062
Other	(92)	570	171	3 571
Net cash flows from operating activities	106 120	194 363	(27 014)	(58 177)
Cash flows from investing activities				
Increased interest in subsidiary entity	-	(50)	-	-
Net cash flows from investing activities	-	(50)	-	-
Cash flows from financing activities				
Repayment of leasing liabilities	(29)	(162)	151	32
Dividend distribution	(27 715)	(27 715)	(20 786)	(20 786)
Loans received	-	-	47 507	193 111
Repayment of loan liabilities	(16)	(33 344)	(1 211)	(130 715)
Interest paid	1 381	1 127	9	(2 464)
Net cash flows from financing activities	(26 379)	(60 094)	25 671	39 178
Change in cash and cash equivalents	79 741	134 219	(1 344)	(18 999)
Cash and cash equivalents at the beginning of the period	69 445	14 966	22 493	40 148
Cash and cash equivalents at the end of the period	149 186	149 186	21 149	21 149

Interim abbreviated standalone statement of changes in equity

Attributable to the shareholders of the Parent Entity						
	Share capital	Reserve capital	FX differences on translation of foreign operations	Other reserves	Retained earnings (Accumulated losses)	Total equity
As at 01 January 2022	69 288	427 502	756	124 500	(44 986)	577 059
Net profit for the period	-	-	-	-	166 381	166 381
Other comprehensive income (net) for the period	-	-	-	6 801	-	6 801
Total comprehensive income for the period	-	-	162	4 954	166 381	171 497
Dividend distribution	-	-	-	(5 928)	(21 787)	(27 715)
As at 30 September 2022 (unaudited)	69 288	427 502	918	123 526	99 608	720 842

Attributable to the shareholders of the Parent Entity						
	Share capital	Reserve capital	FX differences on translation of foreign operations	Other reserves	Retained earnings (Accumulated losses)	Total equity
As at 01 January 2021	69 288	427 502	450	136 741	(63 386)	570 594
Net profit for the period	-	-	-	-	26 142	26 142
Other comprehensive income (net) for the period	-	-	160	2 342	-	2 502
Total comprehensive income for the period	-	-	160	2 342	26 142	28 644
Dividend distribution	-	-	-	(17 399)	(3 387)	(20 786)
As at 30 September 2021 (unaudited)	69 288	427 502	610	121 684	(40 632)	578 452

Additional explanatory notes

1. General information

The Arctic Paper Group is a paper and pulp producer. We offer voluminous book paper and a wide range of products in this segment, as well as high-grade graphic paper. The Group produces numerous types of uncoated and coated wood-free paper as well as wood-containing uncoated paper for printing houses, paper distributors, book and magazine publishing houses and the advertising industry. The Arctic Paper Group employs more than 1,500 people in its paper mills, paper sales and pulp companies, purchasing office and food packaging company. Our Paper Mills are located in Poland and in Sweden. Pulp Mills are located in Sweden. The Group had 13 Sales Offices providing access to all European markets, including Central and Eastern Europe.

Our consolidated sales revenues for 9 months of 2022 amounted to PLN 3,809 million.

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

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

The interim abbreviated consolidated financial statements of the Group for 9 months of 2022 cover:

- interim abbreviated consolidated profit and loss account, statement of comprehensive income and a cash flow statement for the periods of three and nine months ended on 30 September 2022 and contain comparable data for the same periods ended on 30 September 2021;
- interim abbreviated statement of changes in equity for the period of nine months ended on 30 September 2022 and comparative data for the same period ended on 30 September 2021;
- interim abbreviated consolidated statement of financial condition as at 30 September 2022 and comparative data as at 30 June 2022, 31 December 2021 and 30 September 2021.

1.1. Group Profile

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

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

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

1.2. Shareholding structure

Nemus Holding AB, a company under Swedish law (a company owned indirectly by Mr Thomas Onstad), is the majority shareholder of Arctic Paper S.A., holding (as at 30 September 2022) 40,381,449 shares of our Company, which constitutes 58.28% of its share capital and corresponds to 58.28% of the total number of votes at General Meetings. Thus Nemus Holding AB is the Parent Entity of the Issuer.

Additionally, Mr Thomas Onstad, an indirect shareholder of Nemus Holding AB, holds directly 6,223,658 shares representing 8.98% of the total number of shares in the Company, and via another entity – 600,000 shares accounting for 0.87% of the total number of shares of the Issuer. Mr Thomas Onstad's total direct and indirect holding in the capital of Arctic Paper S.A. as at 30 September 2022 was 68.13% and has not changed until the date hereof.

The ultimate parent of the entire Arctic Paper Group is Incarta Development S.A., which is controlled by Mr Thomas Onstad. The top owner of the Group is Mr Thomas Onstad.

The duration of the Company is indefinite.

2. Composition of the Group

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

Unit	Registered office	Group Profile	Group's interest in the equity of the subsidiary entities as at			
			07 November 2022	30 September 2022	10 August 2022	31 December 2021
Arctic Paper Kostrzyn S.A.	Poland, Fabryczna 1, 66-470 Kostrzyn nad Odrą	Paper production	100%	100%	100%	100%
Arctic Paper Munkedals AB	Sweden, SE 455 81 Munkedal	Paper production	100%	100%	100%	100%
Arctic Paper Mochenwangen GmbH	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Non-operating company, previously paper production	99.74%	99.74%	99.74%	99.74%
Arctic Paper Grycksbo AB	Sweden, Box 1, SE 790 20 Grycksbo	Paper production	100%	100%	100%	100%
Arctic Paper UK Limited	United Kingdom, 8 St Thomas Street SE1 9RR London	Trading company	100%	100%	100%	100%
Arctic Paper Baltic States SIA	Latvia, K. Vardemara iela 33-20, Riga LV-1010	Trading company	100%	100%	100%	100%
Arctic Paper Deutschland GmbH	Germany, Am Sandtorkai 72, D-20457 Hamburg	Trading company	100%	100%	100%	100%
Arctic Paper Benelux S.A.	Belgium, Ophemstraat 24, B-3050 Oud-Heverlee	Trading company	100%	100%	100%	100%
Arctic Paper Schweiz AG	Switzerland, Gutenbergstrasse 1, CH-4552 Derendingen	Trading company	100%	100%	100%	100%
Arctic Paper Italia srl	Italy, Via Cavriana 7, 20 134 Milan	Trading company	100%	100%	100%	100%
Arctic Paper Danmark A/S	Denmark, Korskindelund 6 DK-2670 Greve	Trading company	100%	100%	100%	100%
Arctic Paper France SAS	France, 43 rue de la Breche aux Loups, 75012 Paris	Trading company	100%	100%	100%	100%
Arctic Paper Espana SL	Spain, Avenida Diagonal 472-474, 9-1 Barcelona	Trading company	100%	100%	100%	100%
Arctic Paper Papierhandels GmbH	Austria, Hainborgerstrasse 34A, A-1030 Wien	Trading company	100%	100%	100%	100%
Arctic Paper Polska Sp. z o.o.	Poland, Okrężna 9, 02-916 Warszawa	Trading company	100%	100%	100%	100%

Unit	Registered office	Group Profile	Group's interest in the equity of the subsidiary entities as at			
			07 November 2022	30 September 2022	10 August 2022	31 December 2021
Arctic Paper Norge AS	Norway, Eikenga 11-15, Oslo	NO-0579 Trading company	100%	100%	100%	100%
Arctic Paper Sverige AB	Sweden, SE 455 81 Munkedal	Trading company	100%	100%	100%	100%
Arctic Power Sp.z o.o. (formerly Arctic Paper East Sp. z o.o.)	Poland, Fabryczna 1, 66-470 Kostrzyn nad Odrą	Energy production	100%	100%	100%	100%
Arctic Paper Investment GmbH *	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Activities of holding companies	100%	100%	100%	100%
Arctic Paper Finance AB	Sweden, Box 383, 401 26 Göteborg	Activities of holding companies	100%	100%	100%	100%
Arctic Paper Verwaltungs GmbH *	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Activities of holding companies	100%	100%	100%	100%
Arctic Paper Immobilienverwaltung GmbH&Co. KG*	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Activities of holding companies	94.90%	94.90%	94.90%	94.90%
Arctic Paper Investment AB **	Sweden, Box 383, 401 26 Göteborg	Activities of holding companies	100%	100%	100%	100%
EC Kostrzyn Sp. z o.o.	Poland, ul. Fabryczna 1, 66-470 Kostrzyn nad Odrą	Rental of properties and machines and equipment	100%	100%	100%	100%
Munkedals Kraft AB	Sweden, 455 81 Munkedal	Production of hydropower	100%	100%	100%	100%
Kostrzyn Packaging Spółka z o.o.	Poland, ul. Fabryczna 1, 66-470 Kostrzyn nad Odrą	Production of packaging	100%	100%	n.a.	n.a.
Rottneros AB	Sweden, Söderhamn	Activities of holding companies	51.27%	51.27%	51.27%	51.27%
Rottneros Bruk AB	Sweden, Rottneros	Pulp production	51.27%	51.27%	51.27%	51.27%
Utansjo Bruk AB	Sweden, Söderhamn	Non-operating company	51.27%	51.27%	51.27%	51.27%
Vallviks Bruk AB	Sweden, Vallvik	Pulp production	51.27%	51.27%	51.27%	51.27%
Nykvist Skogs AB	Sweden, Gräsmark	Company grouping forest owners	51.27%	51.27%	51.27%	51.27%
Rottneros Packaging AB	Sweden, Sunne	Production of food packaging	51.27%	51.27%	51.27%	51.27%
SIA Rottneros Baltic	Latvia, Kuldiga	Procurement bureau	51.27%	51.27%	51.27%	51.27%

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

** – the company established for the purpose of the acquisition of Grycksbo Paper Holding AB

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

As at 30 September 2022, and as well as on the day hereof, the percentage of voting rights held by the Group in its subsidiaries corresponded to the percentage held in the share capital of those entities. All subsidiaries within the Group are consolidated under the full method from the day of obtaining control by the Group and cease to be consolidated from the day the control has been transferred out of the Group.

2.1. Management Board of the Parent Entity

As at 30 September 2022, the Parent Entity's Management Board was composed of:

- Michał Jarczyński – President of the Management Board appointed on 01 February 2019;
- Göran Eklund – Member of the Management Board appointed on 30 August 2017.

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

2.2. Supervisory Board of the Parent Entity

As at 30 September 2022, the Parent Entity's Supervisory Board was composed of:

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

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

2.3. Audit Committee of the Parent Entity

As at 30 September 2022, the Parent Entity's Audit Committee was composed of:

- Anna Jakubowski – Chairperson of the Audit Committee appointed on 22 June 2021 (appointed as Member of the Audit Committee on 05 August 2021);
- Zofia Dzik – Member of the Audit Committee appointed on 22 June 2021 (appointed as Member of the Audit Committee on 05 August 2021);
- Roger Mattsson – Audit Committee Member appointed on 14 September 2014 (appointed as Audit Committee Member on 23 June 2016).

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

3. Approval of the financial statements

These interim abbreviated consolidated financial statements were approved for publication by the Management Board on 07 November 2022.

4. Basis of preparation of the interim abbreviated consolidated financial statements

These interim abbreviated consolidated financial statements were prepared in accordance with the requirements of International Accounting Standard No. 34 and the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a third country may be recognised as equivalent (Journal of Laws of 2018, item 757).

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

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

The interim abbreviated consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended on 31 December 2021.

5. Significant accounting principles (policies)

The accounting principles (policies) applied to prepare the interim abbreviated consolidated financial statements are compliant with those applied to the annual consolidated financial statements of the Group for the year ended on 31 December 2021, except for those presented below.

— Amendments to *IFRS 3 Business Combinations*, *IAS 16 Tangible Fixed Assets*, *IAS 37 Provisions, Contingent Liabilities and Contingent Assets* and *Amendments to International Financial Reporting Standards 2018-2020* (all issued 14 May 2020) are effective for annual periods beginning on or after 01 January 2022, earlier application is permitted.

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

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

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

The Group has not decided to adopt earlier any other standard, interpretation or amendment that was issued but is not yet effective.

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

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

- *IFRS 17 Insurance Contracts* (issued 18 May 2017); including Amendments to IFRS 17 (issued 25 June 2020) effective for annual periods beginning on or after 01 January 2023, prospective application, early application permitted); IFRS 17 that replaces temporary standard IFRS 4 Insurance Contracts that was implemented in 2004. IFRS 4 provided companies with a possibility to continue disclosing insurance contracts pursuant to the accounting principles applicable in national standards, which, as a result, meant application of different solutions.
- IFRS 17 solves the issue of comparability created by IFRS 4 through a requirement of coherent disclosure of all insurance contracts, which will be beneficial for both investors and insurers. Liabilities arising from contracts will be recognised at present values, instead of historic cost.
- Amendments to IAS 1 Presentation of Financial Statements and IFRSs-Practical Position 2: Accounting policy disclosures (issued 12 February 2021); Effective for annual periods beginning on or after 01 January 2023, earlier application permitted.

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

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

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

Standards and Interpretations awaiting EU approval as at 07 November 2022.

- *Amendments to IAS 1 Presentation of Financial Statements Classification of Liabilities as Current or Non-current* (applicable to annual reporting periods beginning on or after 01 January 2023, earlier application is permitted).

The amendments clarify that presentation of liabilities as current and non-current should be based solely on the right available to the Entity as of the reporting date to defer the payment of relevant liabilities. Such right to defer the payment of a liability for minimum 12 months from the reporting date does not have to be unconditional but it has to be material. The above presentation is not affected by intentions or expectations of the Entity's management as to the exercising of the right or the date when this is to happen. The amendments further provide clarification as to the events that are treated as discharge of liabilities.

- Amendments to *IAS 12 Income Taxes*: Deferred tax on an asset and a liability recognised as a result of a single transaction (issued 07 May 2021) Effective for annual periods beginning on or after 01 January 2023, earlier application permitted)

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

- Amendments to *IFRS 17 Insurance Contracts*: First-time adoption of IFRS 17 and IFRS 9 – comparative figures (issued 09 December 2021). Effective for annual periods beginning on or after 01 January 2023)

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

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

5.2. 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 FX 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 FX rates prevailing on the transaction date. Non-monetary foreign currency assets and liabilities recognised at fair value are translated into PLN using the rate of exchange prevailing on the date of revaluation to fair value.

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

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

The following exchange rates were used for book valuation purposes:

	30 September 2022	31 December 2021
USD	4.9533	4.0600
EUR	4.8698	4.5994
SEK	0.4465	0.4486
DKK	0.6549	0.6184
NOK	0.4640	0.4608
GBP	5.5560	5.4846
CHF	5.0714	4.4484

Mean FX rates for the reporting periods are as follows:

	01.01 – 30.09.2022	01.01 – 30.09.2021
USD	4.4034	3.8049
EUR	4.6740	4.5491
SEK	0.4440	0.4480
DKK	0.6282	0.6117
NOK	0.4675	0.4448
GBP	5.5191	5.2696
CHF	4.6243	4.1723

6. Seasonality

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

7. Information on business segments

Operational segments cover continuing activities. The Group's principal activity is the manufacture of paper and pulp. The paper production business is presented as the "Uncoated" and "Coated" segments. Pulp production activities are presented as the "Pulp" segment.

The Group identifies four business segments:

- **Uncoated paper** – paper for printing or other graphic purposes, including wood-free and wood-containing paper. Uncoated wood-free paper may 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. This type of paper is used for printing magazines with the use of rotogravure or offset printing techniques. The segment also included data for the AP Mochenwangen Group.
- **Coated paper** – coated 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 printing quality of photographs and illustrations.
- **Pulp** – fully bleached sulphate pulp and unbleached sulphate pulp used primarily to produce printing and writing paper, cardboard, toilet paper and white packaging paper as well as chemo thermo mechanical pulp (CTMP) and groundwood which are used mainly for production of printing and writing papers.

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

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

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

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

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

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

The table below presents data concerning revenues and profit as well as certain assets and liabilities split by segments of the Group for the period of 9 months ended on 30 September 2022 and as at 30 September 2022.

9-month period ended on 30 September 2022 and on 30 September 2022

	Uncoated	Coated	Pulp	Total	Exclusions	Total continuing operations
Revenues						
Sales to external customers	1 930 010	880 241	998 927	3 809 178	-	3 809 178
Sales between segments	-	2 218	-	2 218	(2 218)	-
Total segment revenues	1 930 010	882 460	998 927	3 811 396	(2 218)	3 809 178
Result of the segment						
EBITDA	378 146	197 501	270 820	846 467	(12 473)	833 994
Depreciation/amortisation	(51 688)	(7 660)	(40 788)	(100 136)	(166)	(100 302)
Operating profit/(loss)	326 458	189 841	230 032	746 331	(12 639)	733 692
Interest income	656	190	444	1 290	795	2 085
Interest expense	(1 659)	(1 807)	(1 332)	(4 797)	(1 664)	(6 462)
FX gains and other financial income	1 614	-	91 457	93 071	(4 936)	88 135
FX losses and other financial expenses	-	(4 167)	-	(4 167)	2 799	(1 368)
Gross profit	327 069	184 057	320 602	831 727	(15 645)	816 082
Assets of the segment	1 552 447	547 281	1 590 264	3 689 992	(56 258)	3 633 734
Liabilities of the segment	706 728	281 831	344 698	1 333 257	(158 021)	1 175 236
Capital expenditures	(61 322)	(9 595)	(30 707)	(101 624)	(116)	(101 740)
Interests in joint ventures	3 934	-	-	3 934	-	3 934

- Revenues from inter-segment transactions are eliminated on consolidation.
- The results of the segments do not cover financial income (PLN 90,220 thousand of which PLN 2,085 thousand is interest income) and financial expenses (PLN 7,830 thousand of which PLN 6,462 thousand is interest expense), depreciation/amortisation (PLN 100,302 thousand), and income tax liability (PLN -134,082 thousand);
- Segment assets do not include deferred tax (PLN 6,624 thousand), as this item is managed at Group level and interests in joint ventures (PLN 3,934 thousand). Segment liabilities do not include deferred tax (PLN 221,893 thousand), as this item is managed at Group level.

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

3-month period ended on 30 September 2022 and on 30 September 2022

	Uncoated	Coated	Pulp	Total	Exclusions	Total continuing operations
Revenues						
Sales to external customers	726 916	315 212	360 013	1 402 141	-	1 402 141
Sales between segments	-	785	-	785	(785)	-
Total segment revenues	726 916	315 997	360 013	1 402 926	(785)	1 402 141
Result of the segment						
EBITDA	142 257	71 124	92 508	305 889	(7 682)	298 208
Depreciation/amortisation	(17 583)	(2 461)	(18 555)	(38 599)	(56)	(38 655)
Operating profit/(loss)	124 674	68 663	73 953	267 290	(7 738)	259 553
Interest income	314	80	444	837	588	1 425
Interest expense	(506)	(413)	(447)	(1 366)	(753)	(2 119)
FX gains and other financial income	578	(284)	80 838	81 132	1 962	83 094
FX losses and other financial expenses	1 496	(338)	-	1 159	(764)	394
Gross profit	126 555	67 708	154 788	349 052	(6 705)	342 347
Assets of the segment	1 552 447	547 281	1 590 264	3 689 992	(56 258)	3 633 734
Liabilities of the segment	706 728	281 831	344 698	1 333 257	(158 021)	1 175 236
Capital expenditures	(17 080)	(453)	(8 750)	(26 283)	(17)	(26 300)
Interests in joint ventures	3 934	-	-	3 934	-	3 934

- Revenues from inter-segment transactions are eliminated on consolidation.
- The results of the segments do not cover financial income (PLN 84,519 thousand of which PLN 1,425 thousand is interest income) and financial expenses (PLN 1,725 thousand of which PLN 2,119 thousand is interest expense), depreciation/amortisation (PLN 38,655 thousand), and income tax liability (PLN -60,804 thousand);
- Segment assets do not include deferred tax (PLN 6,624 thousand), as this item is managed at Group level and interests in joint ventures (PLN 3,934 thousand). Segment liabilities do not include deferred tax (PLN 221,893 thousand), as this item is managed at Group level.

The table below presents data concerning revenues and profit as well as certain assets and liabilities split by segments of the Group for the period of 9 months ended on 30 September 2021 and as at 31 December 2021.

9-month period ended on 30 September 2021 and on 31 December 2021

	Uncoated	Coated	Pulp	Total	Exclusions	Total continuing operations
Revenues						
Sales to external customers	1 226 470	492 613	739 946	2 459 029		2 459 029
Sales between segments	-	15 475	23 920	39 395	(39 395)	-
Total segment revenues	1 226 470	508 087	763 867	2 498 424	(39 395)	2 459 029
Result of the segment						
EBITDA	123 813	9 778	129 456	263 047	(4 541)	258 507
Depreciation/amortisation	(52 713)	(4 141)	(30 855)	(87 709)	(317)	(88 026)
Operating profit/(loss)	71 100	5 637	98 601	175 338	(4 858)	170 481
Interest income	50	69	-	119	194	313
Interest expense	(532)	(2 712)	(9 408)	(12 653)	(3 349)	(16 001)
FX gains and other financial income	1 493	440	6 720	8 653	(6 897)	1 757
FX losses and other financial expenses	(4 871)	(3 798)	-	(8 669)	3 291	(5 378)
Gross profit/(loss)	67 241	(364)	95 913	162 790	(11 618)	151 172
Assets of the segment	1 133 871	360 173	1 037 384	2 531 428	(159 409)	2 372 019
Liabilities of the segment	620 273	361 341	291 590	1 273 204	(233 567)	1 039 637
Capital expenditures	(72 283)	(6 369)	(25 301)	(103 953)	(20)	(103 973)
Interests in joint ventures	2 943	-	-	2 943	-	2 943

- Revenues from inter-segment transactions are eliminated on consolidation.
- The results of the segments do not cover financial income (PLN 2,070 thousand of which PLN 313 thousand is interest income) and financial expenses (PLN 21,379 thousand of which PLN 16,001 thousand is interest expense), depreciation/amortisation (PLN 88,026 thousand), and income tax liability (PLN -29,942 thousand);
- Segment assets do not include deferred tax (PLN 14,304 thousand), as this item is managed at Group level and interests in joint ventures (PLN 2,943 thousand). Segment liabilities do not include deferred tax (PLN 106,633 thousand), as this item is managed at Group level.

The table below presents data concerning revenues and profit as well as certain assets and liabilities split by segments of the Group for the period of 3 months ended on 30 September 2021 and as at 31 December 2021.

3-month period ended on 30 September 2021 and on 31 December 2021

	Uncoated	Coated	Pulp	Total	Exclusions	Total continuing operations
Revenues						
Sales to external customers	447 479	197 483	244 694	889 656	-	889 656
Sales between segments	-	4 080	10 613	14 693	(14 693)	-
Total segment revenues	447 479	201 563	255 306	904 349	(14 693)	889 656
Result of the segment						
EBITDA	39 056	9 572	55 993	104 621	(2 522)	102 099
Depreciation/amortisation	(17 856)	(1 263)	(10 133)	(29 253)	(74)	(29 327)
Operating profit/(loss)	21 199	8 309	45 860	75 368	(2 596)	72 773
Interest income	55	30	-	85	1	86
Interest expense	(353)	(874)	(4 928)	(6 155)	(293)	(6 448)
FX gains and other financial income	519	144	2 240	2 903	(2 656)	247
FX losses and other financial expenses	(445)	(1 728)	-	(2 173)	1 589	(584)
Gross profit/(loss)	20 975	5 881	43 172	70 028	(3 954)	66 074
Assets of the segment	1 133 871	360 173	1 037 384	2 531 428	(159 409)	2 372 019
Liabilities of the segment	620 273	361 341	291 590	1 273 204	(233 567)	1 039 637
Capital expenditures	(28 704)	(2 237)	(9 216)	(40 157)	(11)	(40 168)
Interests in joint ventures	2 943	-	-	2 943	-	2 943

- Revenues from inter-segment transactions are eliminated on consolidation.
- The results of the segments do not cover financial income (PLN 333 thousand of which PLN 86 thousand is interest income) and financial expenses (PLN 7,032 thousand of which PLN 6,448 thousand is interest expense), depreciation/amortisation (PLN 29,327 thousand), and income tax liability (PLN -12,713 thousand);
- Segment assets do not include deferred tax (PLN 14,304 thousand), as this item is managed at Group level and interests in joint ventures (PLN 2,943 thousand). Segment liabilities do not include deferred tax (PLN 106,633 thousand), as this item is managed at Group level.

8. Dividends proposed to be paid and paid

8.1. Dividends proposed for payment and paid by Arctic Paper S.A.

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

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

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

The possibility of disbursement of potential dividend by the Company to its shareholders depends on the level of payments received from its subsidiaries. Risks relating to the Company's ability to pay dividends are described in the Risk Factors section of the Directors' Report.

In connection with the term and revolving loan agreements signed on 02 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 2021, the Company paid a total dividend of PLN 20,786,334.90, i.e. PLN 0.30 gross per share.

On 18 February 2022, the Management Board of the Company, taking into account the preliminary financial results of the Company and the Arctic Paper S.A. Group for 2021, 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 2021, in the total amount of PLN 27,715,113.20, i.e. PLN 0.40 gross per share. This recommendation was positively reviewed by the Company's Supervisory Board on 20 April 2022.

The recommendation of the Management Board together with the opinion of the Supervisory Board was submitted to the General Meeting of Shareholders for resolution. The final decision on the distribution of the Company's 2021 profit and the payment of the dividend was taken by the Annual General Meeting held on 22 June 2022. The dividend was paid as recommended on 08 July 2022.

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

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

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

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

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

9. Earnings/(loss) per share

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

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

	3-month period ended on 30 September 2022 (unaudited)	9-month period ended on 30 September 2022 (unaudited)	3-month period ended on 30 September 2021 (unaudited)	9-month period ended on 30 September 2021 (unaudited)
Net profit/(loss) period from continuing operations attributable to the shareholders of the Parent Entity	221 853	558 402	36 843	84 309
Net profit/(loss) attributable to the shareholders of the Parent Entity	221 853	558 402	36 843	84 309
Total number of shares	69 287 783	69 287 783	69 287 783	69 287 783
Weighted average number of shares	69 287 783	69 287 783	69 287 783	69 287 783
Diluted weighted average number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
Profit/(loss) per share (in PLN)				
– basic earnings from the profit/(loss) for the period attributable to the shareholders of the Parent Entity	3.20	8.06	0.53	1.22
Diluted profit/(loss) per share (in PLN)				
– from the profit/(loss) for the period attributable to the shareholders of the Parent Entity	3.20	8.06	0.53	1.22

10. Interest-bearing loans, borrowings and bonds

In the period covered by this report, the Group made a partial repayment of the term loan under the loan agreement concluded on 02 April 2021 with a syndicate of banks in the amount of PLN 14,885 thousand, a full repayment of the revolving loan drawn under the aforementioned agreement in the amount of PLN 18,319 thousand and made a partial repayment of the loan with Nordea Bank in the amount of PLN 2,664 thousand and with Danske Bank in the amount of PLN 10,211 thousand.

The other changes to loans, borrowings and bonds as at 30 September 2022, compared to 31 December 2021 result mainly from balance sheet evaluation and payment of interest accrued as at 31 December 2021 and paid in 2022.

11. Share capital

There were no changes in share capital as at 30 September 2022 compared to 31 December 2021.

12. Financial instruments

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

As at 30 September 2022, the Company held the following financial instruments: cash on hand and in bank accounts, loans, receivables, payables including lease agreements and interest SWAP contracts, forward power purchase contracts and forward pulp sale contracts.

12.1. Hedge accounting

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

As at 30 September 2022, the Company held the following financial instruments: cash on hand and in bank accounts, loans, receivables, payables including lease agreements and interest SWAP contracts, forward power purchase contracts and forward pulp sale contracts.

In connection with the signing of the term and revolving credit facility agreement on 02 April 2021, Arctic Paper SA entered into new interest SWAP contracts, described in more detail in the table below.

SWAP on the interest rate	EUR	PLN
Type of hedge	Hedge of cash flows related to variable interest rate on the EUR long-term loan	Hedge of cash flows related to variable interest rate on the PLN long-term loan
Hedged position	The hedged item are future EUR interest flows in EUR related to a loan in EUR calculated on the basis of 3M EURIBOR	Future PLN interest flows on PLN loan calculated on the basis of 3M WIBOR
Hedging instruments	SWAP transaction under which the Company agreed to pay interest in EUR on the EUR loan on the basis of a fixed interest rate	SWAP transaction under which the Company agreed to pay interest in PLN on the PLN loan on the basis of a fixed interest rate
Currency	Date	Loan amount PLN as of 30.09.2022
EUR	2021-04-02 – 2026-04-02	24 892 475
EUR	2021-04-02 – 2026-04-02	18 749 264
EUR	2021-04-02 – 2026-04-02	18 749 264
		62 391 003
PLN	2021-04-02 – 2026-04-02	23 424 615
PLN	2021-04-02 – 2026-04-02	17 644 046
PLN	2021-04-02 – 2026-04-02	17 644 046
		58 712 706
The total value of loans is secured with an interest rate swap		121 103 709

13. Contingent liabilities and contingent assets

As at 30 September 2022, the Capital Group reported:

- contingent liability under a guarantee for FPG in favour of the mutual life insurance company PRI for SEK 276 thousand (PLN 123 thousand) at Arctic Paper Grycksbo AB and for SEK 764 thousand (PLN 341 thousand) at Arctic Paper Munkedals AB;
- a contingent liability of Arctic Paper Munkedals AB related to a surety for the obligations of Kalltorp Kraft HB in the amount of SEK 578 thousand (PLN 258 thousand);
- a bank guarantee in favour of Skatteverket Ludvika for SEK 135 thousand (PLN 60 thousand).

14. Legal claims

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

15. Material events after the end of the reporting period

15.1. Discontinuation of production of one grade of mechanical pulp by a subsidiary

On 16 August 2022, the Management Board of Rottneros AB ("Rottneros"), a subsidiary listed on the NASDAQ Stockholm Stock Exchange in Sweden, decided to cease production of one of the mechanical pulp grades, wood pulp, at the Rottneros mill, due to the lack of further prospects for long-term and sustainable profitability.

As a result of the decision, around 40 people will be made redundant. The estimated cost of closing the production line will be around SEK 60 million (PLN 27 million), consisting mainly of redundancy costs, which will be included in Rottneros' result for the third quarter of 2022.

As a result of the decision, the Rottneros electricity futures portfolio will be adjusted and surpluses will be realised at current market prices. The value of Rottneros' electricity futures is high, meaning that the impact of the line closure on earnings is estimated to be significantly lower than the cost of closing the line.

The production line is planned to be stopped at the end of 2022, after negotiations with the trade unions. In the next few years, Rottneros plans to invest SEK 160-200 million (PLN 70-90 million) to significantly increase its chemothermomechanical pulp (CTMP) production capacity. The aim is to increase production levels to at least 150,000 tonnes per year from the current 120,000 tonnes.

After 30 September 2022, until the date hereof there were no other material events requiring disclosure in this report with the exception of those events that were disclosed in this report in paragraphs above.

Signatures of the Members of the Management Board

Position	First and last name	Date	Signature
President of the Management Board Chief Executive Officer	Michał Jarczyński	07 November 2022	signed with a qualified electronic signature
Member of the Management Board Chief Financial Officer	Göran Eklund	07 November 2022	signed with a qualified electronic signature

Head Office Branch in Sweden

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