ARCTIC PAPER CAPITAL GROUP

Consolidated financial statements for Q3 2023

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

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Introduction

Information on the report

This Consolidated Quarterly Report for Q3 2023 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 2022.

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:

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
Paper Mills	Arctic Paper Kostrzyn, Arctic Paper Munkedals, Arctic Paper Grycksbo
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)
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; 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
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
NBSK	Northern Bleached Softwood Kraft
BHKP	Bleached Hardwood Kraft Pulp

Definitions of selected financial concepts and indicators

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

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.

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

to the report for Q3 2023

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

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 2023 amounted to PLN 2,723 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.

The principal business of the Arctic Paper Group is production and sales of paper and pulp. Additional activities of the Group, partly subordinated to paper and pulp production, include power generation, heat generation and logistics services.

Arctic Paper Group's product range includes uncoated and coated woodfree paper, uncoated woodfree paper, sulphate pulp and mechanical fibre pulp

A detailed description of the Group's business, production plants, business and products can be found in the consolidated annual report for 2022.

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

There were no significant changes in the capital structure of the Arctic Paper Group during the three quarters of 2023, with the exception of the establishment of the joint venture described later in this report.

Shareholding structure – shareholders holding at least 5% of the total number of votes in the Company

as at 07.11.2023

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

The table above shows the shareholders holding directly or indirectly at least 5% of the total number of votes at the Company's General Meeting. This status has changed since the publication date of the annual report, i.e. 10 August 2023. Previous amounts are presented in the table below.

as at 10.08.2023

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

Shares in Arctic Paper S.A. or entitlements to them held by the Company's managing and supervising persons

Managing and supervising persons	Number of shares or rights to shares as at 7.11.2023	Number of shares or rights to shares as at 30.09.2023	Number of shares or rights to shares as at 10.08.2023	Change
Management Board				
Michał Jarczyński	5 572	5 572	5 572	-
Katarzyna Wojtkowiak	-	-	-	-
Tom Fabian Langenskiöld	900	900	nd	-
Supervisory Board				
Per Lundeen	34 760	34 760	34 760	-
Thomas Onstad*	5 623 658	5 623 658	6 223 658	-
Roger Mattsson	-	-	-	-
Zofia Dzik	-	-	-	-
Anna Jakubowski	-	-	-	-

*the statement includes only shares held directly

The shareholding of the Company's managing and supervising persons has changed since the date of publication of the annual report, i.e. 10 August 2023. Current and previous data is presented in the table above.

The above table was corrected with number of shares of Board Members Michał Jarczyński and Fabian Langenskiöld, which were not presented in previously published report.

Summary of the consolidated financial results

Selected items of the consolidated profit and loss account

PLN '000	Q3 2023	Q2 2023	Q3 2022	YTD 2023	YTD 2022	Change % Q3 2023/ Q2 2023	Change % Q3 2023/ Q3 2022	Change % YTD 2023/ YTD 2022
Continuing operations								
Sales revenues	**854 806**	**836 243**	**1 402 141**	**2 723 265**	**3 809 178**	**2,2**	**(39,0)**	**(28,5)**
of which:								
Sales of paper	*590 318*	*566 667*	*1 042 128*	*1 879 270*	*2 810 251*	*4,2*	*(43,4)*	*(33,1)*
Sales of pulp	*264 488*	*269 576*	*360 013*	*843 995*	*998 927*	*(1,9)*	*(26,5)*	*(15,5)*
Profit on sales	193 217	141 633	414 692	604 202	1 170 414	36,4	(53,4)	(48,4)
EBIT	**95 035**	**39 324**	**259 552**	**289 995**	**733 692**	**141,7**	**(63,4)**	**(60,5)**
EBITDA	**124 517**	**68 932**	**298 208**	**378 983**	**833 994**	**80,6**	**(58,2)**	**(54,6)**
Net profit/(loss)	**58 226**	**46 889**	**281 542**	**236 780**	**682 000**	**24,2**	**(79,3)**	**(65,3)**
% of sales revenues	*6,81*	*5,61*	*20,08*	*8,69*	*17,90*	*1,2 p.p.*	*(13,3) p.p.*	*(9,2) p.p.*
Net profit/(loss) for the reporting period attributable to the shareholders of the Parent Entity	51 516	39 758	221 853	199 142	558 402	29,6	(76,8)	(64,3)
Sales volume (in thousand tonnes)								
paper	108	97	168	318	500	11	(60)	(182)
pulp	102	82	96	271	302	20	(2)	(39)

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

The third quarter of 2023 appears weak compared to the corresponding quarter of 2022 – which was one of the strongest in the Group's history – but nevertheless delivered an EBITDA margin in line with our target. Our focus on margins rather than volumes continued to be successful. Arctic Paper´s revenues decreased by 39 percent to PLN 854.8 million (1 402.1 million). EBITDA reached PLN 124.5 million (298.2 million) with a corresponding EBITDA margin of 14.6 percent. A strong cash flow during the period strengthened the Group's financial position as the net debt/EBITDA ratio reached a new record low of -0.59 (-0.22). Solid finances are an advantage at a time of significant future investment in line with our strategy.

For the paper segment, revenue decreased to PLN 590.3 million (1,042.1 million). During the first half of the year, demand weakened as customers reduced their stocks. During the third quarter, however, we have seen early signs of a recovery in demand. Capacity utilization for the period was up to 66 percent. We have continued to focus on margins and delivered an EBITDA margin for the period of 16.0 percent. As the comparative quarter was exceptional, it is worth noting that the result for paper is historically strong.

We have obtained patent rights for an innovative barrier with antibacterial properties. The use of this specially developed formula ensures that Amber Care meets the ISO 20743 and ISO 18184 standards and the components of the mixture undergo decomposition without environmental pollution and are biodegradable.

The pulp segment – Rottneros – decreased its revenue to SEK 693 million (806) with an EBITDA of SEK 79 million (233), mainly driven by falling prices. The period was characterised by shrinking inventories and rising deliveries and the balance of market pulp shifted in favour of sellers. Investments are being made in the expansion of CTMP capacity, in renewable energy and energy storage.

The joint venture investment in a new production facility for molded fiber trays in Kostrzyn is progressing with the aim of being operational 2024. The timetable is impacted by lengthy equipment delivery times.

Arctic Paper continues to grow within sustainable energy solutions. During the quarter, a decision was made to invest SEK 285 million in an upgrade of the biofuel boiler and steam turbine in Grycksbo. The investment will increase the mill's competitiveness and generate a new revenue stream as the mill will produce 50 ktons of wood pellets per year at an estimated value of approximately SEK 100 million. The installation will also reduce energy costs by SEK 50 million. During the period, we also advanced our plan for the expansion of the 17 MW solar energy park in Kostrzyn.

Two years have passed since Arctic Paper launched its new strategy with the aim of diversifying into renewable energy and sustainable packaging. The challenges we have faced since then show that the strategy provides value, and we are on track to implement it. After strategy review, our focus in renewable energy will shift from wind turbines to solar parks. For packaging, we see more potential in fiber trays than in kraft paper. Our commitment to investing in higher margin, lower footprint and less volatile businesses remains intact.

Revenues

The decrease in revenue from paper and pulp sales for both the third quarter of 2023 compared to Q3 of 2022 and for the three quarters of 2023 compared to the three quarters of 2022 is primarily due to the decrease in paper and pulp sales volumes.

Profit from sales, EBIT, EBITDA, net profit

The decrease in profit on sales, EBIT, EBITDA and net profit in both Q3 of 2023 compared to Q3 of 2022 and for the three quarters of 2023 compared to the three quarters of 2022 is due to the decrease in paper and pulp sales as well as fixed costs, which did not decrease in line with the decrease in sales.

Profitability analysis

PLN '000	Q3 2023	Q2 2023	Q3 2022	YTD 2023	YTD 2022	Change % Q3 2023/ Q2 2023	Change % Q3 2023/ Q3 2022	Change % YTD 2023/ YTD 2022
Profit/(loss) on sales	193 217	141 633	414 692	604 202	1 170 414	36,4	(53,4)	(48,4)
% of sales revenues	*22,60*	*16,94*	*29,58*	*22,19*	*30,73*	*5,7 p.p.*	*(12,6) p.p.*	*(8,5) p.p.*
EBITDA	**124 517**	**68 932**	**298 208**	**378 983**	**833 994**	**80,6**	**(58,2)**	**(54,6)**
% of sales revenues	*14,57*	*8,24*	*21,27*	*13,92*	*21,89*	*6,3 p.p.*	*(13,0) p.p.*	*(8,0) p.p.*
EBIT	**95 035**	**39 324**	**259 552**	**289 995**	**733 692**	**141,7**	**(63,4)**	**(60,5)**
% of sales revenues	*11,12*	*4,70*	*18,51*	*10,65*	*19,26*	*6,4 p.p.*	*(7,4) p.p.*	*(8,6) p.p.*
Net profit/(loss)	**58 226**	**46 889**	**281 542**	**236 780**	**682 000**	**24,2**	**(79,3)**	**(65,3)**
% of sales revenues	*6,81*	*5,61*	*20,08*	*8,69*	*17,90*	*1,2 p.p.*	*(13,3) p.p.*	*(9,2) p.p.*
Return on equity / ROE (%)	*3,2*	*2,7*	*12,5*	*13,2*	*30,3*	*0,5 p.p.*	(9,3) p.p.	(17,2) p.p.
Return on assets / ROA (%)	*2,1*	*1,8*	*7,7*	*8,7*	*18,7*	*0,3 p.p.*	(5,6) p.p.	(10,1) p.p.

Lower return on equity and return on assets ratios were due primarily to the lower net profit generated in the three quarters 2023 versus the equivalent period last year.

Selected items of the consolidated statement of financial position

PLN '000	30.09.2023	31.12.2022	30.09.2022	Change 30.09.2023 -31.12.2022	Change 30.09.2023 -30.09.2022
Fixed assets	1 251 535	1 371 867	1 489 812	(120 332)	(238 276)
Current assets	1 485 764	1 882 618	2 154 481	(396 854)	(668 717)
Total assets	**2 737 299**	**3 254 485**	**3 644 293**	**(517 186)**	**(906 994)**
Equity	1 794 841	2 052 182	2 247 163	(257 341)	(452 322)
Short-term liabilities	655 983	806 906	885 323	(150 923)	(229 340)
Long-term liabilities	286 474	395 397	511 806	(108 922)	(225 332)
Total equity and liabilities	**2 737 299**	**3 254 485**	**3 644 293**	**(517 186)**	**(906 994)**

Fixed assets

The decrease in fixed assets value at the end of September 2023 compared to the end of the previous year is mainly due to a decrease in tangible fixed assets and other financial assets values. The decrease in tangible fixed assets is mainly the result of their lower valuation in PLN as the presentation currency. The decrease in other financial assets is mainly the result of a decrease in the positive valuation of derivatives, mainly energy forwards.

Current assets

The decrease in current assets value at the end of September 2023 compared to the previous year-end is mainly due to a decrease in inventories, trade and other receivables and other financial assets values. The decrease in inventories and trade and other receivables is a result of the decline in paper and pulp sales orders. The decrease in other financial assets is mainly the result of a decrease in the positive valuation of derivatives, mainly energy forwards.

Equity

The decrease in equity value at the end of September 2023 compared to the end of the previous year is mainly due to a decrease in the valuation of subsidiaries with a functional currency other than PLN recognised in other comprehensive income, a decrease in the positive valuation of financial instruments treated as hedges of future cash flows and the payment of a dividend to AP SA Shareholders and to non-controlling Shareholders paid by Rottneros AB.

Short-term liabilities

The decrease in short-term liabilities value at the end of September 2023 compared to the previous year-end is mainly due to a decrease in trade and other payables and employee liabilities values. The decrease in trade and other payables is the result of lower purchases for paper and pulp production. The decrease in employee liabilities is due to the decrease in salar y and bonus liabilities and the payment of tax on the repaid provision for pensions and similar benefits.

Long-term liabilities

The decrease in long-term liabilities value at the end of September 2023 compared to the previous year-end is mainly due to a decrease in deferred income tax liabilities and loans due to their reclassification to the current portion. The decrease in the deferred income tax liability is primarily the result of a lower positive valuation of derivatives.

Debt analysis

	Q3 2023	Q2 2023	Q3 2022	Change % Q3 2023/ Q2 2023	Change % Q3 2023/ Q3 2022
Debt to equity ratio (%)	52,5	50,8	62,2	1,7 p.p.	(9,7) p.p.
Equity to fixed assets ratio (%)	143,4	139,7	150,8	3,7 p.p.	(7,4) p.p.
Interest-bearing debt-to-equity ratio (%)	10,5	10,0	10,8	0,4 p.p.	(0,3) p.p.
Net debt to EBITDA ratio for the last 12 months (x)	(0,6)x	(0,2)x	(0,2)x	(0,4)	(0,4)
EBITDA to interest expense ratio for the last 12 months (x)	99,2x	124,1x	97,3x	(24,8)	1,9

The decrease in the debt-to-equity ratio in Q3 of 2023 to the same period of the previous year is the result of a higher rate of decrease in liabilities than in equity.

The decrease in the ratio of fixed assets to equity in Q3 of 2023 to the same period of the previous year is the result of a higher rate of decline in equity than in fixed assets.

The decrease in the ratio of interest expense to EBITDA for the 12 months ended 30 September 2023 to the 12 months ended 30 June 2023 is a result of the decrease in 12-month EBITDA.

Liquidity analysis

	Q3 2023	Q2 2023	Q3 2022	Change % Q3 2023/ Q2 2023	Change % Q3 2023/ Q3 2022
Current ratio	**2,3x**	**2,4x**	**2,4x**	**(0,1)**	**(0,2)**
Quick ratio	**1,5x**	**1,4x**	**1,8x**	**0,1**	**(0,3)**
Cash solvency ratio	**0,8x**	**0,5x**	**0,5x**	**0,2**	**0,3**
DSI (days)	63,8	68,6	46,1	(4,8)	17,7
DSO (days)	49,1	43,4	47,7	5,7	1,4
DPO (days)	59,5	45,5	57,5	14,0	2,0
Operating cycle (days)	112,9	112,0	93,8	0,9	19,1
Cash conversion cycle (days)	**53,4**	**66,5**	**36,3**	**(13,1)**	**17,0**

The extension of the cash conversion cycle in Q3 2023 to the same period of the previous year is a result of the extension of inventory turnover in days. The shortening of the cash conversion cycle in Q3 2023 to earlier in the quarter is a result of the lengthening of the payables turnover in days.

Selected items of the consolidated cash flow statement

PLN '000	Q3 2023	Q2 2023	Q3 2022	YTD 2023	YTD 2022	Change % Q3 2023/ Q2 2023	Change % Q3 2023/ Q3 2022	Change % YTD 2023/ YTD 2022
Cash flows from operating activities	200 423	99 473	245 138	345 138	481 386	101,5	(18,2)	(28,3)
Cash flows from investing activities	(32 664)	19 674	(27 300)	(69 615)	(102 740)	(266,0)	19,6	(32,2)
Cash flows from financing activities	6 617	(251 290)	(34 999)	(252 250)	(105 848)	(102,6)	(118,9)	138,3
Total cash flows	**174 376**	**(132 142)**	**182 839**	**23 273**	**272 799**	**(232,0)**	**(4,6)**	**(91,5)**

Cash flows from operating activities

The positive cash flow from operating activities in both Q3 2023 and for the three quarters of 2023 is primarily the result of positive EBITDA.

Cash flows from investing activities

The negative flows from investing activities in both Q3 2023 and for the three quarters of 2023 are mainly the result of expenditure on the purchase of tangible fixed assets offset in part by proceeds from the sale of energy forwards that do not meet hedge accounting rules.

Cash flows from financing activities

The positive cash flow from financing activities in Q3 2023 is primarily the result of an increase in debt under the revolving overdraft facility.

The negative cash flow from financing activities for the three quarters of 2023 is primarily the result of dividend payments to AP SA Shareholders as well as to non-controlling Shareholders.

Summary of standalone financial results

Selected items of the standalone income statement

PLN '000	Q3 2023	Q2 2023	Q3 2022	Change % Q3 2023/ Q2 2023	Change % Q3 2023/ Q3 2022
Sales revenues	**3 872**	**183 943**	**4 071**	**-98%**	**-5%**
Profit on sales	1 180	181 198	2 101	-99%	-44%
EBIT	**(2 950)**	**176 248**	**(1 176)**	**-102%**	**151%**
EBITDA	**(2 872)**	**176 292**	**(1 119)**	**-102%**	**157%**
Gross profit/(loss)	**(3 322)**	**176 286**	**(471)**	**-102%**	**605%**
Net profit/(loss)	**(2 983)**	**177 701**	**452**	**-102%**	**-761%**

Revenues, profit on sales, costs of sales

The main reason for the decrease in revenue and profit values in 2023 in comparison to the same period of 2022 was the lower value of dividends received.

EBIT and EBITDA

The decrease in EBIT and EBITDA in Q3 2023 compared to the same period in 2022 is due to a decrease in operating income and higher administrative expenses. The higher EBIT in Q2 2022 was due to higher revenues, which consisted of sales of services provided to Group companies including interest income on loans granted and dividends.

Gross profit/(loss) and net profit/(loss)

The lower financial result in Q3 2023 compared to the same period in 2022 is due to the Company achieving lower operating income and higher administrative expenses in the third quarter of 2023 aw well as of presenting dividends received in the Q2 2023.

Selected items of the standalone statement of financial position

PLN '000	30.09.2023	31.12.2022	30.09.2022	Change 30.09.2023 -31.12.2022	Change 30.09.2023 -30.09.2022
Fixed assets	910 386	894 074	809 352	16 312	101 034
Other current assets	265 838	250 814	218 790	15 024	47 048
Total assets	**1 176 225**	**1 144 888**	**1 028 143**	**31 337**	**148 083**
Equity	759 174	776 970	720 842	(17 795)	38 332
Short-term liabilities	345 058	292 883	213 324	52 175	131 734
Long-term liabilities	71 993	75 036	93 978	(3 043)	(21 985)
Total equity and liabilities	**1 176 224**	**1 144 888**	**1 028 143**	**31 335**	**148 081**

Fixed assets

The increase in fixed assets value at the end of the third quarter of 2023 is mainly due to the higher balance of Shares in subsidiaries (capital contribution to Kostrzyn Packaging Sp. z o.o. in the amount of PLN 25,940 thousand).

Current assets

The increase in current assets value was due to a higher cash balance at the end of Q3 2023.

Equity

The main reason for the decrease in equity value as at 30 September 2023 is the lower profit generated for Q3 2023.

Short-term liabilities

The increase in short-term liabilities value in Q3 2023 and at the end of 2022 is due to an increase in the company's cash-pooling liabilities.

Long-term liabilities

The decrease in long-term liabilities value at the end of the third quarter of 2023 is due to the Company's repayment of loan instalments in accordance with the schedule.

Selected items of the standalone statement of cash flow

PLN '000	Q3 2023	Q2 2023	Q3 2022	Change % Q3 2023/ Q2 2023	Change % Q3 2023/ Q3 2022
Cash flows from operating activities	140 005	126 862	106 120	*10%*	*32%*
Cash flows from investing activities	(21 090)	(4 782)	-	*341%*	*0%*
Cash flows from financing activities	(185 004)	(203 700)	(26 379)	*(9)%*	*601%*
Total cash flows	**(66 090)**	**(81 620)**	**79 741**	**342%**	**633%**

The positive operating cash flow in the three quarters of the current year was mainly due to the change in increase / decrease in cash-pooling liabilities.

In the three quarters of 2023, flows from investing activities amounted to PLN -21,090 thousand. Negative flows resulted from capital subsidies in Kostrzyn Packaging Sp. z o.o.

The greatest impact on changes in flows from financing activities was the repayment of the Company's borrowings and the payment of dividends.

Significant information and factors affecting the Arctic Paper Group's performance and assessment of its financial position

Information on market trends

Supplies of fine paper

In Q3 2023 the Arctic Paper Group recorded an increased level of orders versus Q2 2023 by 11.7% and an increase of orders versus the same period of 2022 by 35.8%.

Source of data: Arctic Paper analysis

Paper prices

At the end of Q3 2023, prices for uncoated wood-free papers (UWF) in Europe decreased by 9.7% compared to prices at the end of September 2022, while for coated wood-free papers (CWF) they recorded a decrease of 12.1%.

At the end of September 2023, 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 lower than at the end of Q2 2023 by 4.9% and 5.2% respectively.

The prices invoiced by Arctic Paper in EUR for comparable products in the segment of uncoated wood-free paper (UWF) decreased from the end of June 2023 until the end of September 2023 by 6.1% on the average while in the segment of coated wood- free paper (CWF) the prices decreased by 7.5%. At the end of Q3 2023, Arctic Paper's invoiced prices for uncoated wood-free (UWF) paper decreased by 8.7% compared to prices at the end of September 2022, while for coated wood-free (CWF) paper they recorded a decrease of 7.7%.

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 2023, the pulp prices reached the level of: NBSK – USD 1.147/tonne and BHKP – USD 809/tonne.

The average NBSK price in Q3 2023 was lower by 20.6% compared to the same period of last year while for BHKP the average price was lower by 39%. Compared to Q2 2023, the average NBSK pulp price in Q3 2021 decreased by 10.1% and BHKP decreased by 23.9%.

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 decreased in Q3 2023 versus Q2 2023 by 19% while in relation to Q3 2022 it decreased by 27.9%.

The share of pulp costs in the costs of sales after 9 months of the current year was 51% versus about 60% in the same quarter in 2022.

The Arctic Paper Group uses the pulp in the production process according to the following structure: BHKP 74%, NBSK 21% and other 5%.

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

Currency exchange rates

At the end of Q3 2023, the EUR/PLN rate amounted to 4.6356 and was by 4.8% lower than at the end of Q3 2022. The mean EUR/PLN exchange rate in Q3 2023 amounted to 4.4995 and was by 5.2% lower than in the same period of 2022.

The EUR/SEK exchange rate amounted to 11.4942 at the end of Q3 2023 (increase by 5.4% versus the end of Q3 2022). For that currency pair, the mean exchange rate in Q3 2023 was by 10.7% higher than in the same period of 2022. 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 2023 amounted to 4.3697. In Q3 2023 the mean USD/PLN exchange rate was 4.1360 versus 4.7139 in the same period of the previous year which was a decrease by 12.3%. The change has 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 2023 amounted to 10.8349. From July to September 2023 the mean exchange rate amounted to 10.8135 compared to 10.5523 in the same period of the previous year which was a decrease of the rate by 2.5%. The change in comparison to Q3 2022 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 1.0609, compared to 0.9831 at the end of September 2022 (+7.9%). The quarterly average exchange rate of the currency pair described was also characterised by a very significant appreciation of the EUR against the USD (+8%).

In Q3 2023, the EUR/USD exchange rate was unchanged compared to Q2 2023.

The appreciation of PLN versus EUR versus last year has adversely affected the Group's financial profit, mainly due to decreased sales revenues generated in EUR and translated into PLN. The weakening of the USD against the PLN had a positive impact on the Group's financial results through lower 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 2023, there were no material changes to the risk factors. Those were presented in detail in the annual report for 2022.

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.

A part of pulp supplies to our Paper Mills is made from our own Pulp Mills. The remaining part 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).

Other material information

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

On 17 February 2023, Arctic Paper S.A. and Rottneros AB ("Rottneros") entered into a joint venture agreement (the "Joint-Venture Agreement") and a joint venture agreement under the name Kostrzyn Packaging Sp. z o.o. ("Joint-Venture").

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

The subject of the Joint-Venture will be: (i) manufacture of moulded cellulose fibre packaging, (ii) sale of finished packaging, (iii) development research and technical analysis of manufactured products.

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

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

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

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

The aim of the Joint-Venture is to build a moulded cellulose fibre packaging plant in Kostrzyn nad Odrą, Poland, which is scheduled to be operational by the end of 2023. The estimated value of the investment will be PLN 100 million, of which the Issuer's share will be 50%. According to the Issuer's estimates, the investment will generate annual revenue of around PLN 60 million.

The joint venture between the Company and Rottneros AB will allow the synergy of Rottneros Packaging AB's know-how in the commercialisation of biodegradable packaging technology, existing operational experience and the favourable location of the Joint-Venture in Kostrzyn nad Odrą. The expansion of the Arctic Paper Group's product portfolio will help strengthen its position in the fast-growing green packaging market and is an important part of the implementation of the Arctic Paper 4P strategy.

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 2023.

Composition of the supervisory and management bodies at Arctic Paper S.A.

As at 30 September 2023, the Company's Supervisory Board was composed of:

— Per Lundeen – Chair of the Supervisory Board appointed on 14 September 2016;
— Roger Mattsson – Deputy Chair of the Supervisory Board appointed on 16 September 2014;
— Thomas Onstad – Member of the Supervisory Board appointed on 22 October 2008;
— Zofia Dzik – Member of the Supervisory Board appointed on 22 June 2021;
— 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.

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

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

The Supervisory Board, in connection with the expiry of the Management Board's term of office on 29 May 2023, by resolution of 9 May 2023 appointed the Management Board for a new three-year term of office as of 29 May 2023.

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

As at 30 September the Management Board's members were:

- Michał Jarczyński – President of the Management Board
- Katarzyna Wojtkowiak – Member of the Management Board
- Tom Fabian Langenskiöld – Member of the Management Board

Information on sureties and guarantees granted in three quarters of 2023

During the period covered by this report, the Company and the Group did not issue any new sureties or guarantees.

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

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

Information on transactions with related 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	15 December 2023	signed with a qualified electronic signature
Member of the Management Board Chief Financial Officer	Katarzyna Wojtkowiak	15 December 2023	signed with a qualified electronic signature
Member of the Management Board Vice-President for Sales and Marketing	Fabian Langenskiöld	15 December 2023	signed with a qualified electronic signature

Interim abbreviated financial statements

for the period of nine months
ended on 30 September 2023

Interim abbreviated consolidated financial statements

Interim abbreviated consolidated profit and loss statement

	3-month period ended on 30 September 2023 (unaudited)	9-month period ended on 30 September 2023 (unaudited)	3-month period ended on 30 September 2022 (unaudited)	9-month period ended on 30 September 2022 (unaudited)
Continuing operations				
Revenues from sales of products	854 806	2 723 265	1 402 141	3 809 178
Sales revenues	854 806	2 723 265	1 402 141	3 809 178
Costs of sales	(661 589)	(2 119 063)	(987 449)	(2 638 763)
Profit/(loss) on sales	193 217	604 202	414 692	1,170,414
Selling and distribution costs	(76 261)	(250 522)	(122 515)	(345 874)
Administrative expenses	(30 799)	(93 805)	(34 882)	(94 406)
Other operating income	18 590	68 256	13 067	56 426
Other operating expenses	(9 712)	(38 136)	(10 809)	(52 869)
Operating profit/(loss)	95 035	289 995	259 552	733 692
Financial income	(6 284)	8 926	84 519	90 220
Financial expenses	(4 889)	(9 237)	(1 725)	(7 830)
Gross profit/(loss)	83 862	289 684	342 347	816 082
Income tax	(25 635)	(52 904)	(60 804)	(134 082)
Net profit/(loss)	58 226	236 780	281 542	682 000
Attributable to:				
The shareholders of the Parent Entity	51 516	199 142	221 853	558 402
Non-controlling shareholders	6 710	37 638	59 689	123 598
	58 226	236 780	281 542	682 000
Earnings per share:				
– basic earnings from the profit/(loss) attributable to the shareholders of the Parent Entity	0,74	2,87	3,20	8,06
– diluted earnings from the profit attributable to the shareholders of the Parent Entity	0,74	2,87	3,20	8,06

Interim abbreviated consolidated statement of comprehensive income

	3-month period ended on 30 September 2023 (unaudited)	9-month period ended on 30 September 2023 (unaudited)	3-month period ended on 30 September 2022 (unaudited)	9-month period ended on 30 September 2022 (unaudited)
Profit for the reporting period	58 226	236 780	281 542	682 000
Other comprehensive income				
Items to be reclassified to profit/(loss) in future reporting periods:				
FX differences on translation of foreign operations	92 512,	(58 922)	23 267	48
Measurement of financial instruments	(99 150)	(245 130)	195 183	538 082
Deferred income tax on the measurement of financial instruments	20 416	50 020	(40 395)	(109 600)
Items that were reclassified to profit/(loss) during the reporting period:				
Measurement of financial instruments	(1 529)	(14 071)	(67 306)	(83 253)
Deferred income tax on the measurement of financial instruments	365	2 908	13 739	16 957
Items not to be reclassified to profit/loss in future reporting periods:				
Actuarial profit/(loss) for defined benefit plans	-	-	-	9 662
Deferred tax on actuarial gains/(losses)	-	-	-	(1 927)
Other net comprehensive income	12 613	(265 195)	124 488	369 969
Total comprehensive income for the period	70 840	(28 415)	406 030	1 051 970
Total comprehensive income attributable to:				
The shareholders of the Parent Entity	50 777	2 438	316 742	823 014
Non-controlling shareholders	20 062	(30 853)	89 288	228 955

Interim abbreviated consolidated statement of financial position

	As at 30 September 2023 (unaudited)	As at 30 June 2023 (after review)	As at 31 December 2022 (audited)	As at 30 September 2022 (unaudited)
ASSETS				
Fixed assets				
Tangible fixed assets	1 124 447	1 060 400	1 125 004	1 149 710
Investment properties	1 763	1 763	1 763	2 978
Intangible assets	52 496	50 080	63 899	59 427
Goodwill	8 469	7 913	8 847	9 377
Interests in joint ventures	4 276	4 025	4 264	3 934
Other financial assets	55 845	105 652	162 617	257 440
Other non-financial assets	135	130	277	321
Deferred income tax assets	4 104	4 443	5 196	6 624
	1 251 535	1 234 406	1 371 867	1 489 812
Current assets				
Inventories	468 705	529 062	601 205	505 443
Trade and other receivables	466 329	403 664	503 391	743 774
Corporate income tax receivables	8 677	25 474	633	9 061
Other non-financial assets	15 692	14 778	12 048	16 007
Other financial assets	31 598	84 584	283 411	438 462
Cash and cash equivalents	494 764	307 235	481 930	441 734
	1 485 764	1 364 796	1 882 618	2 154 481
TOTAL ASSETS	2 737 299	2 599 202	3 254 485	3 644 293

	As at 30 September 2023 (unaudited)	As at 30 June 2023 (after review)	As at 31 December 2022 (audited)	As at 30 September 2022 (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	443 805	443 805	407 976	407 976
Other reserves	167 846	223 841	312 447	451 806
FX differences on translation	(91 897)	(147 153)	(39 794)	7 903
Retained earnings/Accumulated losses	813 938	762 422	837 702	770 464
Cumulated other comprehensive income related to discontinued operations				
	1 402 980	1 352 203	1 587 619	1 707 437
Non-controlling interests	391 861	371 799	464 563	539 726
Total equity	1 794 841	1 724 002	2 052 182	2 247 163
Long-term liabilities				
Interest-bearing loans	100 621	100 899	139 166	164 629
Provisions	1 210	1 130	1 264	1 340
Employee liabilities	42 878	41 489	43 547	87 902
Other financial liabilities	22 136	21 076	23 158	24 688
Deferred income tax liability	111 132	126 401	177 750	221 893
Grants and deferred income	8 497	9 099	10 512	11 354
	286 474	300 094	395 397	511 806
Short-term liabilities				
Interest-bearing loans	58 886	44 782	35 387	37 295
Provisions	7 588	6 971	9 202	384
Other financial liabilities	6 463	6 408	8 055	15 528
Trade and other payables	437 360	351 464	551 211	630 434
Employee liabilities	87 079	102 947	133 165	129 260
Income tax liability	41 750	53 997	55 043	58 676
Grants and deferred income	16 858	8 538	14 843	13 747
	655 983	575 107	806 906	885 323
TOTAL LIABILITIES	942 458	875 200	1 202 303	1 397 130
TOTAL EQUITY AND LIABILITIES	2 737 299	2 599 202	3 254 485	3 644 293

Interim abbreviated consolidated cash flow statement

	3-month period ended on 30 September 2023 (unaudited)	9-month period ended on 30 September 2023 (unaudited)	3-month period ended on 30 September 2022 (unaudited)	9-month period ended on 30 September 2022 (unaudited)
Cash flows from operating activities				
Gross profit/(loss)	83 862	289 684	342 347	816 082
Adjustments for:				
Depreciation/amortisation	29 482	88 988	38 655	100 302
FX gains/(loss)	6 269	117	341	4 454
Interest, net	90	6 268	572	4 227
Profit/(loss) from investing activities	4 082	3 097	71	68
(Increase) / decrease in receivables and other non-financial assets	(46 281)	17 447	(83 099)	(351 222)
(Increase) / decrease in inventories	87 877	116 436	(19 031)	(103 463)
Increase (decrease) of liabilities except loans, borrowings, bonds and other financial liabilities	67 322	(86 995)	58 881	133 408
Change in provisions	50	7 127	184	(850)
Change in non-financial assets	5 093	-	-	-
Income tax paid	(26 967)	(77 507)	(25 380)	(51 685)
Movement in pension provisions and employee liability	(21 904)	(43 417)	18 881	8 722
Change in grants and deferred income	7 510	428	(1 599)	4 050
Co-generation certificates and CO2 emission rights	(47)	(8 608)	(1 772)	(4 549)
Change in settlement of realised forward contracts that meet hedge accounting rules	3 666	32 603	(14 582)	(8 332)
Change in accounting for unrealized forward contracts not meeting hedge accounting rules	-	-	(69 259)	(69 259)
Other	321	(529)	(70)	(566)
Net cash flows from operating activities	200 423	345 138	245 138	481 386
Cash flows from investing activities				
Disposal of tangible fixed assets and intangible assets	2 002	2 215	-	-
Purchase of tangible fixed assets and intangible assets	(49 176)	(118 749)	(26 300)	(101 740)
Outflows of bank deposit established for over 6 months	-	(41 520)	-	-
Inflows of bank deposit established for over 6 months	-	41 520	-	-
Interest received	-	531	-	-
Proceeds from forward contracts not meeting hedge accounting rules	14,510	45 979	-	-
Other capital outflows / inflows	-	409	(1 000)	(1 000)
Net cash flows from investing activities	(32 664)	(69 615)	(27 300)	(102 740)
Cash flows from financing activities				
Change to overdraft facilities	12 648	12 648	3	(18 319)
Repayment of leasing liabilities	(1 113)	(5 553)	(2 320)	(7 597)
Inflows/repayment of other financial liabilities	18	(801)	(226)	(226)
Inflows under loans	39 983	39 983	-	-
Repayment of loans	(44 756)	(62 805)	(4 207)	(27 760)
Dividend disbursed to shareholders of AP SA	-	(187 077)	(27 715)	(27 715)
Dividend disbursed to non-controlling shareholders	-	(41 849)	-	(20 088)
Interest paid	(164)	(6 796)	(534)	(4 142)
Net cash flows from financing activities	6 617	(252 250)	(34 999)	(105 848)
Increase/(decrease) in cash and cash equivalents	174 376	23 273	182 839	272 799
Net FX differences	13 152	(10 439)	4 321	1 007
Cash and cash equivalents at the beginning of the period	307 235	481 930	254 574	167 927
Cash and cash equivalents at the end of the period	494 764	494 764	441 734	441 734

Interim abbreviated consolidated 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 attributable to non-controlling shareholders	Total equity
As at 1 January 2023	69 288	407 976	(39 794)	312 447	837 702	1 587 620	464 563	2 052 183
Net profit/(loss) for the period	-	-	-	-	199 142	199 142	37 638	236 780
Other net comprehensive income for the period	-	-	(52 103)	(144 602)	-	(196 705)	(68 491)	(265 195)
Total comprehensive income for the period	-	-	(52 103)	(144 602)	199 142	2 438	(30 853)	(28 415)
Profit distribution /Dividend for shareholders of AP SA	-	35 829	-	-	(222 906)	(187 077)	-	(187 077)
Dividend distribution to non-controlling entities	-	-	-	-	-	-	(41 849)	(41 849)
As at 30 September 2023 (unaudited)	69 288	443 805	(91 897)	167 846	813 938	1 402 980	391 861	1 794 841

	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 attributable to non-controlling shareholders	Total equity
As at 1 January 2022	69 288	407 976	7 534	201 226	226 113	912 137	330 859	1 242 996
Net profit/(loss) for the period	-	-	-	-	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

Interim abbreviated standalone financial statements

Interim abbreviated standalone profit and loss statement

	3-month period ended on 30 September 2023 (unaudited)	9-month period ended on 30 September 2023 (unaudited)	3-month period ended on 30 September 2022 (unaudited)	9-month period ended on 30 September 2022 (unaudited)
Continuing operations				
Revenues from sales of services	3 469	10 593	3 210	9 281
Interest income on loans	404	1 589	503	1 644
Dividend income	-	179 234	358	57 416
Sales revenues	3 873	191 416	4 071	68 341
Interest expense to related entities and costs of sales of logistics services	(2 693)	(7 546)	(1 970)	(6 154)
Profit/(loss) on sales	1 180	183 870	2 101	62 187
Other operating income	6	53	142	195
Administrative expenses	(4 089)	(10 440)	(3 214)	(11 052)
Impairment allowances to assets	-	(1 289)	-	117 014
Other operating expenses	(47)	(73)	(205)	(251)
Operating profit/(loss)	(2 950)	172 121	(1 176)	168 093
Financial income	906	3 776	1 579	3 312
Financial expenses	(1 278)	(5 683)	(874)	(6 685)
Gross profit/(loss)	(3 322)	170 214	(471)	164 720
Income tax	(214)	1 754	370	1 661
Net profit/(loss) for the financial year	(3 537)	171 968	(101)	166 381
Earnings per share:				
– basic earnings from the profit/(loss) for the period (in PLN)	(0,05)	2,48	(0,00)	2,40
– basic earnings from the profit/(loss) from continuing operations for the period (in PLN)	(0,05)	2,48	(0,00)	2,40

Interim abbreviated standalone statement of comprehensive income

	3-month period ended on 30 September 2023 (unaudited)	9-month period ended on 30 September 2023 (unaudited)	3-month period ended on 30 September 2022 (unaudited)	9-month period ended on 30 September 2022 (unaudited)
Net profit/(loss) for the reporting period	(3 537)	171 968	(101)	166 381
Items to be reclassified to profit/(loss) in future reporting periods:				
Measurement of financial instruments	(708)	(3 100)	1 330	4 954
Deferred income tax on the measurement of financial instruments	-	1 450	(3 370)	1 685
FX differences on translation of foreign operations	610	413	130	162
Other comprehensive income (net)	(98)	(1 237)	(1 910)	6 801
Total comprehensive income	(3 635)	170 731	(2 011)	173 182

Interim abbreviated standalone statement of financial position

	As at 30 September 2023 (unaudited)	As at 30 June 2023 (after review)	As at 31 December 2022 (transformed)	As at 30 September 2022 (transformed)
ASSETS				
Fixed assets				
Tangible fixed assets	1 104	883	451	485
Intangible assets	1 335	1 339	1 346	1 336
Shares in subsidiaries	880 772	859 680	854 898	795 701
Other financial assets	25 310	26 168	35 514	11 830
	910 386	889 935	894 074	809 352
Current assets				
Trade and other receivables	17 526	14 448	17 566	34 109
Income tax receivables	3 954	5 508	1 430	9 174
Other financial assets	12 523	12 965	12 728	21 482
Other non-financial assets	8 497	8 653	5 817	4 839
Cash and cash equivalents	223 338	88 902	213 272	149 186
	265 838	130 476	250 814	218 790
TOTAL ASSETS	1 176 224	1 020 411	1 144 888	1 028 143
EQUITY AND LIABILITIES				
Equity				
Share capital	69 288	69 288	69 288	69 288
Reserve capital	463 331	463 331	427 502	427 502
Other reserves	103 625	104 367	106 725	123 526
FX differences on translation	1 876	2 486	1 463	918
Retained earnings/Accumulated losses	121 055	124 592	171 993	99 608
Total equity	759 174	764 063	776 969	720 842
Long-term liabilities				
Interest-bearing loans, borrowings and bonds	70 519	56 813	73 022	89 171
Employee liabilities	-	-	-	3 103
Deferred income tax liability	1 450	1 450	2 003	1 685
Other long-term liabilities	24	-	10	19
	71 993	58 263	75 035	93 978
Short-term liabilities				
Interest-bearing loans, borrowings and bonds	318 847	170 511	263 752	172 517
Trade payables	23 301	21 309	19 175	22 527
Other financial liabilities	45	27	49	58
Other short-term liabilities	2 554	5 046	1 383	8 859
Income tax liability	311	-	1 630	9 363
	345 058	198 087	292 884	213 324
TOTAL LIABILITIES	417 051	256 349	367 919	307 302
TOTAL EQUITY AND LIABILITIES	1 176 224	1 020 411	1 144 888	1 028 143

Interim abbreviated standalone cash flow statement

	3-month period ended on 30 September 2023 (unaudited)	9-month period ended on 30 September 2023 (unaudited)	3-month period ended on 30 September 2022 (unaudited)	9-month period ended on 30 September 2022 (unaudited)
Cash flows from operating activities				
Gross profit/(loss)	(3 323)	170 214	(471)	164 720
Adjustments for:				
Depreciation/amortisation	78.	216	58	354
FX gains/(loss)	1 302	(1 075)	(1 581)	(2 277)
Impairment of assets	-	-	-	(117 014)
Net interest	(3 245)	675	127	724
Profit/(loss) from investing activities	(295)	(859)	(19)	(59)
Increase / decrease in receivables and other non-financial assets	(4 204)	(5 163)	(2 587)	(13 345)
Increase / decrease in liabilities except for loans, borrowings and debt securities	(64)	(2 151)	(1 675)	3 382
Change in accruals and prepayments	1 517	(1 319)	47	9 363
Change in provisions	52	52	13	(2)
Change to liabilities due to cash-pooling	148 442	56 937	110 265	142 986
Increase / decrease of loans granted to subsidiaries	817	7 323	2 037	4 963
Other	(1 072)	(490)	(92)	570
Net cash flows from operating activities	140 803	224 361	106 120	194 363
Cash flows from investing activities				
Increased interest in subsidiary entity	(21 090)	(25 872)	-	(50)
Net cash flows from investing activities	(21 090)	(25 872)	-	(50)
Cash flows from financing activities				
Repayment of leasing liabilities	42	10	(29)	(162)
Dividend distribution	-	(187 077)	(27 715)	(27 715)
Repayment of loan liabilities	(4 261)	(2 133)	(16)	(33 344)
Interest paid	15 523	777	1 381	1 127
Net cash flows from financing activities	(185 004)	(188 423)	(26 379)	(60 094)
Change in cash and cash equivalents	(65 292)	10 065	79 741	134 219
Cash and cash equivalents at the beginning of the period	88 902	213 272	69 445	14 966
Cash and cash equivalents at the end of the period	23 610	223 338	149 186	149 186

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 1 January 2023	69 288	427 502	1 463	106 725	171 993	776 969
Net profit for the period	-	-	-	-	171 968	171 968
Other comprehensive income (net) for the period	-	-	-	(1 237)	-	(1 237)
Total comprehensive income for the period	-	-	413	(3 100)	171 968	169 281
Dividend distribution	-	35 829	-	-	(222 906)	(187 077)
As at 30 September 2023 (unaudited)	69 288	463 331	1 876	103 625	121 055	759 173

	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 1 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	720 841

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 around 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 2023 amounted to PLN 2,723 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 2023 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 2023 and contain comparable data for the same periods ended on 30 September 2022;
- interim abbreviated statement of changes in equity for the period of nine months ended on 30 September 2023 and comparative data for the same period ended on 30 September 2022;
- interim abbreviated consolidated statement of financial condition as at 30 September 2023 and comparative data as at 30 June 2023, 31 December 2022 and 30 September 2022.

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 2023) 40,981,449 shares of our Company, which constitutes

59.15% of its share capital and corresponds to 59.15% of the total number of votes at General Meetings. Thus Nemus Holding AB is the Parent Entity of the Issuer.

Additionally, Mr Thomas Onstad, an indirect shareholder of Nemus Holding AB, holds directly 5,623,658 shares representing 8.12% of the total number of shares in the Company, and via another entity – 600,000 shares accounting for 0.87% of the total number of shares of the Issuer. Mr Thomas Onstad's total direct and indirect holding in the capital of Arctic Paper S.A. as at 30 September 2023 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	Business objects	Group's interest in the equity of the subsidiary entities as at			
			7 November 2023	30 September 2023	10 August 2023	31 December 2022
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	Paper production (now discontinued operations)	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, Belgia, Interleuvenlaan 62, bus 14, 3001 Heverle	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 Chiaravalle 7, 20-122 Milano	Trading company	100%	100%	100%	100%
Arctic Paper Danmark A/S	Denmark, Korskildelund 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%
Arctic Paper Norge AS	Norway, Eikenga 11-15, NO-0579 Oslo	Trading company	100%	100%	100%	100%

Unit	Registered office	Business objects	Group's interest in the equity of the subsidiary entities as at			
			7 November 2023	30 September 2023	10 August 2023	31 December 2022
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 Sp. z o.o.	Poland, ul. Fabryczna 1, 66-470 Kostrzyn nad Odrą	Production of packaging	75,65%	75,65%	75,65%	100%
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-active 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, Sunne	Comapny grouping private owners of forests	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, Ventspils	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

The change in the Group's shareholding in Kostrzyn Packaging Sp. z o.o. results from the joint venture agreement between Arctic Paper and Rottneros AB signed in February 2023.

As at 30 September 2023, and as well as on the day hereof, the percentage of voting rights held by the Group in its subsidiaries corresponded to the percentage held in the share capital of those entities. All subsidiaries within the Group are consolidated under the full method from the day of obtaining control by the Group and cease to be consolidated from the day the control has been transferred out of the Group.

3. Management and supervisory bodies

3.1. Management Board of the Parent Entity

As at 30 September 2023, the Parent Entity's Management Board was composed of:

— Michał Jarczyński – President of the Management Board appointed on 1 February 2019;
— Katarzyna Wojtkowiak – Member of the Management Board appointed on 29 May 2023;
— Tom Fabian Langenskiöld – Member of the Management Board appointed on 14 August 2023.

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

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

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

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

3.2. Supervisory Board of the Parent Entity

As at 30 September 2023, the Parent Entity's Supervisory Board was composed of:

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

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

3.3. Audit Committee of the Parent Entity

As at 30 September 2023, the Parent Entity's Audit Committee was composed of:

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

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

4. Approval of the financial statements

These interim abbreviated consolidated financial statements were approved for publication by the Management Board on 7 November 2023.

5. 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 2022.

In connection with the term and revolving credit facility agreements signed on 2 April 2021, the Group has committed to meeting certain financial ratios, which are calculated at the end of each quarter. As at 30 September 2023, the Group has met the financial ratios required by the above-mentioned loan agreement with the consortium of financing banks (Santander Bank S.A, Bank BNP Paribas S.A. and Pekao SA).

6. 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 2022, except for those presented below.

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

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

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

b) Amendments to IFRS 17 "Insurance Contracts"

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

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

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

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

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

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

e) Amendments to IAS 12 "Income Taxes":

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

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

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

In May 2023, the Board published amendments to IAS 12 "Income Taxes" in response to the Pillar Two global minimum income tax regulations issued by the Organisation for Economic Co-operation and Development (OECD) in connection with international tax reform. The amendment to IAS 12 provides a temporary exemption from the requirement to recognise deferred income tax arising from enacted tax law that implements the Pillar II model rules. Companies can apply the guidance of the revised IAS 12 standard immediately, while certain disclosures are required for annual periods beginning on or after 1 January 2023. As at the date of these consolidated financial statements, the modification has not been approved by the European Union.

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

6.1. New standards and interpretations not yet in force and not previously applied by the Group

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

g) Amendment to IFRS 16 "Leases"

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

The amendment requires the seller-lessee to subsequently measure the lease liabilities arising from a sale-leaseback in such a way that no gain or loss on retained right-of-use is recognised. The new requirement is particularly relevant where sale-leasebacks include variable lease payments that do not depend on an index or rate, as these payments are excluded from "lease payments" under IFRS 16. The revised standard includes a new example that illustrates the application of the new requirement in this respect. The amendment is effective from 1 January 2024. At the date of these consolidated financial statements, the amendment has not yet been approved by the European Union.

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

In 2020, the Board published amendments to IAS 1 that clarify the presentation of liabilities as long- and short-term. In October 2022 the Board issued further amendments to IAS 1, which address the classification of liabilities as long-term and short-term for which an entity is required to meet certain contractual requirements known as covenants. The revised IAS 1 standard states that liabilities are classified as either short-term or long-term depending on the rights that exist at the end of the reporting period. Neither the entity's expectations nor events after the reporting date (for example, waiver or breach of covenant) affect the classification.

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

As at the date of these financial statements, the modifications have not yet been approved by the European Union.

i) Amendments to IAS 7 “Statement of Cash Flows” and IFRS 7 “Financial Instruments: Disclosures” – disclosure of supplier finance arrangements

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

As at date the of these financial statements, the modifications have not yet been approved by the European Union.

j) IFRS 14 “Regulatory Accruals”

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

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

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

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

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

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

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

6.2. 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 2023	31 December 2022
USD	4,3697	4,4018
EUR	4,6356	4,6899
SEK	0,4033	0,4213
DKK	0,6217	0,6307
NOK	0.4117	0,4461
GBP	5.3464	5,2957
CHF	4,8030	4,7679

Mean FX rates for the reporting periods are as follows:

	01.01 – 30.09.2023	01.01 – 30.09.2022
USD	4,2331	4,4034
EUR	4,5845	4,6740
SEK	0,3998	0,4440
DKK	0,6155	0,6282
NOK	0.4046	0,4675
GBP	5.2643	5,5191
CHF	4,6904	4,6243

7. Seasonality

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

8. 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 and includes the financial results, among others, of the three Paper Mills:

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

The pulp business is presented as the “Pulp” segment and includes, among other things, two cellulose plants:

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

The Group identifies the following business segments:

- Uncoated paper – paper for printing or other graphic purposes, including wood-free and wood-containing paper. Uncoated wood-free paper 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 Group's products in this segment are usually used for printing paperbacks.

— 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, coated paper segments and pulp is due to the following factors:

— Demand for products and their supply as well as the prices of products sold in the market are affected by operational factors characteristic for each segment, such as e.g. the production capacity level in the specific paper and pulp segment;
— The key operating parameters such as inflow of orders or the level of production costs are determined by the factors that are similar for each paper and pulp segment;
— The products manufactured at the Paper Mills operated by the Group may (with certain restrictions) be allocated to production in other entities within the same paper segment, which to a certain extent distorts the financial results generated by each Paper Mill;
— The results of the Arctic Paper Group are under the pressure of global market trends with respect to the prices of paper and pulp, and to a lesser extent are subject to the specific conditions of 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 2023 and as at 30 September 2023.

9-month period ended on 30 September 2023 and on 30 September 2023

	Uncoated	Coated	Pulp	Total	Exclusions	Total continuing operations
Revenues						
Sales to external customers	1 270 741	608 529	843 995	2 723 265	-	2 723 265
Sales between segments	-	832	2 820	3 652	(3 652)	-
Total segment revenues	1 270 741	609 362	846 815	2 726 917	(3 652)	2 723 265
Result of the segment						
EBITDA	156 496	104 292	126 342	387 131	(8 148)	378 983
Depreciation/amortisation	(53 192)	(7 644)	(27 936)	(88 772)	(216)	(88 988)
Operating profit/(loss)	103 305	96 648	98 407	298 359	(8 364)	289 995
Interest income	1 800	928	3 598	6 327	(325)	6 002
Interest expense	(2 360)	(821)	(3 199)	(6 380)	1 335	(5 045)
FX gains and other financial income	1 564	2 122	5 198	8 883	(5 960)	2 924
FX losses and other financial expenses	(2 582)	(1 013)	(2 799)	(6 393)	2 201	(4 192)
Gross profit	101 728	97 863	101 205	300 796	(11 112)	289 684
Assets of the segment	1 233 616	512 445	1 159 539	2 905 599	(176 680)	2 728 919
Liabilities of the segment	477 523	244 294	312 154	1 033 972	(202 647)	831 325
Capital expenditures	(68 645)	(9 231)	(43 536)	(121 411)	2 662	(118 749)
Interests in joint ventures	4 276	-	-	4 276	-	4 276

- Revenues from inter-segment transactions are eliminated on consolidation;
- The results of the segments do not cover financial income (PLN 8,926 thousand of which PLN 6,002 thousand is interest income) and financial expenses (PLN 9,237 thousand of which PLN 5,045 thousand is interest expense), depreciation/amortisation (PLN 88,988 thousand), and income tax liability (PLN -52,904 thousand);
- Segment assets do not include deferred tax (PLN 4,104 thousand), as this item is managed at Group level and interests in joint ventures (PLN 4,276 thousand). Segment liabilities do not include deferred tax (PLN 111,132 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 2023 and as at 30 September 2023.

3-month period ended on 30 September 2023 and on 30 September 2023

	Uncoated	Coated	Pulp	Total	Exclusions	Total continuing operations
Revenues						
Sales to external customers	387 259	203 060	264 488	854 806	-	854 806
Sales between segments	-	283	(63)	221	(221)	-
Total segment revenues	387 259	203 343	264 425	855 026	(221)	854 806
Result of the segment						
EBITDA	49 187	48 134	29 891	127 211	(2 695)	124 517
Depreciation/amortisation	(18 017)	(2 352)	(9 035)	(29 404)	(78)	(29 482)
Operating profit/(loss)	31 170	45 782	20 856	97 808	(2 773)	95 035
Interest income	526	291	1 146	1 962	(274)	1 688
Interest expense	(668)	(249)	(1 155)	(2 072)	307	(1 765)
FX gains and other financial income	1 564	(5 768)	(524)	(4 728)	(3 245)	(7 973)
FX losses and other financial expenses	(1 945)	(1 013)	(2 799)	(5 756)	2 633	(3 123)
Gross profit	30 647	39 043	17 524	87 214	(3 352)	83 862
Assets of the segment	1 233 616	512 445	1 159 539	2 905 599	(176 680)	2 728 919
Liabilities of the segment	477 523	244 294	312 154	1 033 972	(202 647)	831 325
Capital expenditures	(24 602)	(5 259)	(22 541)	(52 402)	3 226	(49 176)
Interests in joint ventures	4 276	-	-	4 276	-	4 276

— Revenues from inter-segment transactions are eliminated on consolidation;
— The results of the segments do not cover financial income (PLN -6,284 thousand of which PLN 1,688 thousand is interest income) and financial expenses (PLN 4,889 thousand of which PLN 1,765 thousand is interest expense), depreciation/amortisation (PLN 29,482 thousand), and income tax liability (PLN -25,635 thousand);
— Segment assets do not include deferred tax (PLN 4,104 thousand), as this item is managed at Group level and interests in joint ventures (PLN 4,276 thousand). Segment liabilities do not include deferred tax (PLN 111,132 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 2022 and as at 31 December 2022.

9-month period ended on 30 September 2022 and on 31 December 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/(loss)	327 069	184 057	320 602	831 727	(15 645)	816 082
Assets of the segment	1 464 156	464 264	1 414 303	3 342 723	(97 697)	3 245 026
Liabilities of the segment	625 292	248 415	348 415	1 222 122	(197 570)	1 024 552
Capital expenditures	(61 322)	(9 595)	(30 707)	(101 624)	(116)	(101 740)
Interests in joint ventures	4 264	-	-	4 264	-	4 264

- 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 5,196 thousand), as this item is managed at Group level and interests in joint ventures (PLN 4,264 thousand). Segment liabilities do not include deferred tax (PLN 177,750 thousand), as this item is managed at Group level.

The table below presents data concerning revenues and profit as well as certain assets and liabilities split by segments of the Group for the period of 3 months ended on 30 September 2022 and as at 31 December 2022.

3-month period ended on 30 September 2022 and on 31 December 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/(loss)	126 555	67 708	154 788	349 052	(6 705)	342 347
Assets of the segment	1 464 156	464 264	1 414 303	3 342 723	(97 697)	3 245 026
Liabilities of the segment	625 292	248 415	348 415	1 222 122	(197 570)	1 024 552
Capital expenditures	(17 080)	(453)	(8 750)	(26 283)	(17)	(26 300)
Interests in joint ventures	4 264	-	-	4 264	-	4 264

- 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 5,196 thousand), as this item is managed at Group level and interests in joint ventures (PLN 4,264 thousand). Segment liabilities do not include deferred tax (PLN 177,750 thousand), as this item is managed at Group level.

9. Dividends proposed for payment and paid

9.1. 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.

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 annual report for 2022.

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

In 2022, the Company paid a total dividend of PLN 27,715,113.20, i.e. PLN 0.40 gross per share.

On 6 June 2023, the Annual General Meeting of the Company, after reviewing the Management Board's proposal on the payment of dividends, resolved to allocate part of the Company's net profit for the financial year 2022, in the amount of PLN 187,077,014.10, to the payment of dividends to the Company's shareholders. The gross dividend per share was PLN 2.70. The Company's Annual General Meeting determined 15 June 2023 as the ex-dividend date and 21 June 2023 as the dividend distribution date. The dividend was paid according to the schedule.

10. 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 2023 (unaudited)	9-month period ended on 30 September 2023 (unaudited)	3-month period ended on 30 September 2022 (unaudited)	9-month period ended on 30 September 2022 (unaudited)
Net profit/(loss) period from continuing operations attributable to the shareholders of the Parent Entity	51 516	199 142	221 853	558 402
Net profit/(loss) attributable to the shareholders of the Parent Entity	51 516	199 142	221 853	558 402
Number of ordinary shares – A series	50 000	50 000	50 000	50 000
Number of ordinary shares – B series	44 253 500	44 253 500	44 253 500	44 253 500
Number of ordinary shares – C series	8 100 000	8 100 000	8 100 000	8 100 000
Number of ordinary shares – E series	3 000 000	3 000 000	3 000 000	3 000 000
Number of ordinary shares – F series	13 884 283	13 884 283	13 884 283	13 884 283
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	0,74	2,87	3,20	8,06
Diluted profit/(loss) per share (in PLN)				
– from the profit/(loss) for the period attributable to the shareholders of the Parent Entity	0,74	2,87	3,20	8,06

11. Interest-bearing bank loans and borrowings

In the period covered by this report, the Group increased its debt under the revolving credit facility to PLN 12,648 thousand, made a partial repayment of the term loan of PLN 15,227 thousand resulting from the loan agreement concluded on 2 April 2021 with a consortium of banks, and made a partial repayment of the loan with Nordea Bank for PLN 3,598 thousand and with Danske Bank for PLN 3,998 thousand (net).

The other changes to loans and borrowings as at 30 September 2023, compared to 31 December 2022 result mainly from balance sheet evaluation and payment of interest accrued as at 31 December 2022 and paid in the first 9 months of 2023.

12. Share capital

There were no changes in share capital as at 30 September 2023 compared to 31 December 2022.

13. Financial instruments

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

As at 30 September 2023, 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.

13.1. Hedge accounting

In order to mitigate the volatility of future energy prices, the Paper Mills and Pulp Mills in Sweden apply forward contracts for the purchase of electricity. Rottneros Group companies, in order to mitigate the volatility of future inflows from pulp sales, enter into forward contracts for pulp sales. Arctic Paper S.A., in order to mitigate the volatility of future interest costs on loans, has concluded interest rate SWAP contracts.

As at 30 September 2023, the Group's cash flows were hedged with a forward contract for purchase of electricity, a forward contract for sale of pulp, an interest rate SWAP.

Hedge accounting of cash flows from sales of pulp

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

Type of hedge	Cash flow hedge related to sales of pulp
Hedged position	The hedged position is a part of highly likely future cash inflows for pulp sales
Hedging instruments	Forward contracts are used as the hedging item wherein the Company agrees to sell pulp for SEK
Contract parameters:	
Contract conclusion date	2022-2023
Maturity date	depending on the contract; until 31.12.2024
Hedged quantity of pulp	10 500 tonnes
Term price	SEK 13 273 /tonne

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

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

Type of hedge	Cash flow hedge related to planned purchases of electricity
Hedged position	The hedged position is a part of highly likely future cash flows for electricity purchases
Hedging instruments	Forward contract for the purchase of electricity at Nord Pool Exchange
Contract parameters:	
Contract conclusion date	depending on the contract; from 2018
Maturity date	depending on the contract; until 31.12.2028
Hedged quantity of electricity	985 264 MWh
Term price	from 25,30 to 65,10 EUR/MWh

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

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

SWAP on the interest rate	EUR	PLN
Type of hedge	Hedge of cash flows related to variable interest rate on the EUR long-term loan	Hedge of cash flows related to variable interest rate on the PLN long-term loan
Hedged 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 30.09.2023
EUR	2021-04-02 – 2026-04-02	17 430 011
EUR	2021-04-02 – 2026-04-02	13 195 750
EUR	2021-04-02 – 2026-04-02	13 195 750
		43 821 512
PLN	2021-04-02 – 2026-04-02	16 912 598
PLN	2021-04-02 – 2026-04-02	12 810 063
PLN	2021-04-02 – 2026-04-02	12 810 063
		42 532 724
The total value of loans is secured with an interest rate swap		**86 354 236**

The table below presents the fair value of hedging instruments in cash flow and fair value hedge accounting as at 30 September 2023 and the comparative data:

	As at 30 September 2023		As at 31 December 2022	
	(unaudited)	(unaudited)		
	Assets	Equity and liabilities	Assets	Equity and liabilities
Forward on pulp sales	2 017	-	2 528	-
SWAP	4 491	-	8 144	-
Forward for electricity	33 349	325	302 033	-
Total hedging derivative instruments	**39 856**	**325**	**312 705**	**-**

14. Contingent liabilities and contingent assets

As at 30 September 2023, the Capital Group reported:

— a contingent liability of Arctic Paper Munkedals AB related to a surety for the obligations of Kalltorp Kraft HB in the amount of SEK 434 thousand (PLN 175 thousand);
— a bank guarantee in favour of Skatteverket Ludvika for SEK 135 thousand (PLN 54 thousand).

15. Legal claims

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

16. Material events after the end of the reporting period

After 30 September 2023, 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	15 December 2023	signed with a qualified electronic signature
Member of the Management Board Chief Financial Officer	Katarzyna Wojtkowiak	15 December 2023	signed with a qualified electronic signature
Member of the Management Board Vice-President for Sales and Marketing	Fabian Langenskiöld	15 December 2023	signed with a qualified electronic signature

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