ARCTIC PAPER CAPITAL GROUP

Consolidated semi-annual report
for 6 months ended on 30 June 2024

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.

Table of contents

Table of contents 2

Introduction 4

Information on the report 4
Definitions and abbreviations 4
Forward looking statements 7
Forward looking statements relating to risk factors 7

Description of the business of the Arctic Paper Group 9

General information 9
Capital Group structure 9
Changes in the capital structure of the Arctic Paper Group 9
Shareholding structure 10

Summary of the consolidated financial results 11

Selected items of the consolidated statement of profit and loss 11
Selected items of the consolidated statement of financial position 13
Selected items of the consolidated cash flow statement 15

Summary of standalone financial results 16

Selected items of the standalone statement of profit and loss 16
Selected items of the standalone statement of financial position 17
Selected items of the standalone cash flow statement 18

Factors influencing the development of the Arctic Paper Group 19

Information on market trends 19
Factors influencing the financial results in the perspective of the next quarter 20
Risk factors 20
Risk factors related to the environment in which the Group operates 21
Risk factors relating to the business of the Group 21
Key factors affecting the performance results 24
Unusual events and factors. Impact of changes in Arctic Paper Group's structure on the financial result 25

Supplementary information 26

The Management Board position on the possibility to achieve the projected financial results published earlier 26
Composition of the supervisory and management bodies at Arctic Paper S.A. 26
Changes in holdings of the Issuer's shares or rights to shares by persons managing and supervising Arctic Paper S.A. 26
Information on sureties and guarantees 27
Information on court and arbitration proceedings and proceedings pending before public administrative authorities 27
Information on transactions with related parties executed on non-market terms and conditions 27
Information on remuneration of the entity authorised to audit the financial statements 28

Statements of the Management Board 28

Accuracy and reliability of the presented reports 28

Interim abbreviated consolidated financial statements 29

Interim abbreviated consolidated profit and loss statement 30
Interim abbreviated consolidated statement of comprehensive income 31
Interim abbreviated consolidated statement of financial position – assets 32
Interim abbreviated consolidated statement of financial position – equity and liabilities 33
Interim abbreviated consolidated cash flow statement 34
Interim abbreviated consolidated statement of changes in equity 35

Additional explanatory notes 36

1. General information 36
2. Composition of the Group 37
3. Management and supervisory bodies 39
4. Approval of the financial statements 39
5. Basis of preparation of the interim abbreviated consolidated financial statements 39
6. Significant accounting principles (policies) 40
7. Seasonality 42
8. Information on business segments 42
9. Income and costs 48
10. Cash and cash equivalents 49
11. Dividend paid and proposed 50
12. Earnings/(loss) per share 50
13. Tangible fixed assets, intangible assets, goodwill and impairment 51
14. Other financial assets 52
15. Inventories 53
16. Trade and other receivables 53
17. Other non-financial assets 54
18. Interest-bearing loans 54
19. Trade and other payables 55
20. Employee liabilities 55
21. Deferred income tax – provision 56
22. Share capital 56
23. Financial instruments 56
24. Other financial liabilities 58
25. Contingent liabilities and contingent assets 58
26. Legal claims 58
27. Tax settlements 58
28. Future contractual investment commitments 58
29. Transactions with related entities 59
30. Material events after the end of the reporting period 59

Interim abbreviated standalone financial statements 61

Interim abbreviated standalone profit and loss statement 61
Interim abbreviated standalone statement of comprehensive income 62
Interim abbreviated standalone statement of financial position 63
Interim abbreviated standalone cash flow statement 64
Interim abbreviated standalone statement of changes in equity 65

Additional explanatory notes 66

1. General information 66

2. Basis of preparation of the interim abbreviated financial statements 66
3. Identification of the consolidated financial statements 66
4. Composition of the Company's Management Board 66
Until the date hereof, there were no other changes to the composition of the Management Board of the Parent Entity. 67
5. Composition of the Company's Supervisory Board 67
6. Approval of the interim abbreviated standalone financial statements 67
7. Investments by the Company 68
8. Significant accounting principles (policies) 69
9. Seasonality 70
10. Information on business segments 70
11. Income and costs 71
12. Investments in subsidiaries and joint ventures 72
13. Cash and cash equivalents 73
14. Dividend paid and proposed 73
15. Dividends received 73
16. Trade and other receivables 74
17. Tangible fixed assets and intangible assets 74
18. Other financial assets 74
19. Interest-bearing loans, borrowings and bonds 74
20. Tax liabilities 74
21. Share capital and reserve capital/reserve funds 75
22. Financial instruments 76
23. Contingent liabilities and contingent assets 77
24. Transactions with related entities 77
25. Events after the end of the reporting period 79

Introduction

Information on the report

This Consolidated Semi-annual Report for 6 months ended on 30 June 2024 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 Interim 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 2023. The data for the periods of 3 months ended on 30 June 2024 and on 30 June 2023 and ended on 31 March 2024 and 31 March 2023, disclosed in the interim abbreviated consolidated and standalone financial statements was not reviewed or audited by statutory auditor.

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

This Consolidated Semi-annual 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 whol e 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 profit/(loss) on sales to sales revenues from continuing operations
EBIT	Profit on continuing operating activities (Earnings Before Interest and Taxes)
EBIT profitability, operating profitability, operating profit margin	Ratio of operating profit/(loss) to sales revenues from continuing operations
EBITDA	Operating profit from continuing operations plus depreciation and amortisation and impairment allowances (Earnings Before Interest, Taxes, Depreciation and Amortisation)
EBITDA profitability, EBITDA margin	Ratio of operating profit plus depreciation and amortisation and impairment allowances to sales income from continuing operations
Gross profit margin	Ratio of gross profit/(loss) to sales revenues from continuing operations
Sales profitability ratio, net profit margin	Ratio of net profit/(loss) to sales revenues
Return on equity, ROE	Ratio of net profit/(loss) to equity income

Return on assets, ROA	Ratio of net profit/(loss) to total assets
EPS	Earnings Per Share, ratio of net profit to the weighted average number of shares
BVPS	Book Value Per Share, Ratio of book value of equity to the number of shares
Debt-to-equity ratio	Ratio of total liabilities to equity
Equity to fixed assets ratio	Ratio of equity to fixed assets
Interest-bearing debt-to-equity ratio	Ratio of interest-bearing debt and other financial liabilities to equity
Net debt-to-EBITDA ratio	Ratio of interest-bearing debt minus cash to EBITDA from continuing operations
EBITDA-to-interest coverage ratio	Ratio of EBITDA to interest expense from continuing operations
Current ratio	Ratio of current assets to short-term liabilities
Quick ratio	Ratio of current assets minus inventory and short-term accruals and deferred income to short-term liabilities
Cash solvency ratio	Ratio of total cash and similar assets to short-term liabilities
DSI	Days Sales of Inventory, ratio of inventory to cost of sales multiplied by the number of days in the period
DSO	Days Sales Outstanding, ratio of trade receivables to sales income from continuing operations multiplied by the number of days in the period
DPO	Days Payable Outstanding, Ratio of trade payables to cost of sales from continuing operations multiplied by the number of days in the period
Operating cycle	DSI + DSO
Cash conversion cycle	Operating cycle – DPO

Forward looking statements

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

Forward looking statements relating to risk factors

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

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

Management Board's Report

from operations of the Arctic Paper Capital Group and of Arctic Paper S.A.

to the report for H1 2024

Description of the business of the Arctic Paper Group

General information

The Arctic Paper Group is a paper and pulp producer. We offer bulky book paper and a wide range of products in this segment, as well as high-quality graphic paper. The Group produces numerous types of uncoated and coated wood-free paper as well as wood-containing uncoated paper for printing houses, paper distributors, book and magazine publishing houses and the advertising industry. In connection with acquisition of the Rottneros Group in December 2012, the Group's assortment was expanded with the production of pulp. As at 30 June 2024, the Arctic Paper Group employs over 1,500 people in its Paper Mills, companies involved in sale of paper and in pulp producing companies, procurement office and a company producing food packaging. Our three Paper Mills are located in Poland and Sweden, and have total production capacity of over 695,000 tonnes of paper per year. Our two Pulp Mills located in Sweden have aggregated production capacities of over 400,000 tonnes of pulp annually. As at 30 June 2024, the Group had 13 Sales Offices ensuring access to all European markets, including Central and Eastern Europe. Our consolidated sales revenues for H1 2024 amounted to PLN 1,805 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 wood-free paper, uncoated wood-containing paper, sulphate pulp and mechanical fibre pulp.

For a detailed description of the Group's business, production facilities, focus and products, please refer to the consolidated annual report for 2023.

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 and its subsidiary producing packaging as well as its sales Offices and Procurement Offices.
Details on the organisation of the Arctic Paper S.A. Capital Group along with identification of the consolidated entities are specified in note 2 in the interim abbreviated consolidated financial statements, further below in this quarterly report.

Changes in the capital structure of the Arctic Paper Group

In H1 2024, no changes in the capital structure of the Arctic Paper Group occurred.

Shareholding structure

The table below shows the shareholders holding directly or indirectly at least 5% of the total number of votes at the Company's General Meeting. This position has not changed since the publication date of the report for Q1 2024, 14 May 2024.

as at 08.08.2024

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	*0,86%*	*600 000*	*0,86%*
- 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%**

Summary of the consolidated financial results

Selected items of the consolidated statement of profit and loss

PLN '000	Q2 2024	Q1 2024	Q2 2023	H1 2024	H1 2023	Change % Q2 2024/ Q1 2024	Change % Q2 2024/ Q2 2023	Change % H1 2024/ H1 2023
Continuing operations								
Sales revenues	**839 206**	**965 378**	**836 243**	**1 804 584**	**1 868 459**	**(13,1)**	**0,4**	**(3,4)**
of which:								
Sales of paper	*573 035*	*701 048*	*566 667*	*1 274 084*	*1 288 952*	*(18,3)*	*1,1*	*(1,2)*
Sales of pulp	*266 171*	*264 330*	*269 576*	*530 501*	*579 507*	*0,7*	*(1,3)*	*(8,5)*
Profit on sales	151 655	207 124	141 633	358 779	410 985	(26,5)	7,1	(12,7)
EBIT	**41 828**	**83 655**	**39 324**	**125 483**	**194 960**	**(49,5)**	**6,4**	**(35,6)**
EBITDA	**70 429**	**111 989**	**68 932**	**182 418**	**254 466**	**(37,1)**	**2,2**	**(28,3)**
Net profit/(loss)	**24 152**	**81 569**	**46 889**	**105 722**	**178 554**	**(70,1)**	**(48,5)**	**(40,8)**
% of sales revenues	*2,88*	*8,36*	*5,61*	*5,86*	*9,56*	*(5,5) p.p.*	*(2,7) p.p.*	*(3,7) p.p.*
Net profit/(loss) for the reporting period attributable to the shareholders of the Parent Entity	17 948	82 467	39 758	100 415	147 626	(78,2)	(54,9)	(32,0)
Sales volume (in thousand tonnes)								
paper	114	144	97	258	210	(21)	18	23
pulp	88	90	82	177	169	(2)	7	5

Comments of the President of the Management Board Michał Jarczyński on the results H1 2024

The second quarter, normally a weaker quarter, was this year affected by the slow recovery in key European markets and by historically high raw material prices. Arctic Paper´s revenues reached PLN 839.2 million (836.2 million), while adjusted EBITDA improved to PLN 78.4 million (68.9) with the corresponding adjusted EBITDA margin of 9.3 percent (8.2). EBITDA was adjusted with the one-off events of PLN 8 million which included reserves for reorganization costs and receivables write-off (further described in note 30.1). Arctic Paper´s financial position was further strengthened, and the net debt/EBITDA-ratio reached -0.35 (-0.19). During the period, continued investments were made in line with our long-term strategy to diversify the Group's operations.

For the paper segment, revenue was PLN 573.1 million (566.7 million). The fragile recovery we saw in the paper market in the first quarter of the year slowed down, especially in the important German market. Adjusted EBITDA reached PLN 49.6 million (47.6 million). We continue to focus on defending our margins, although raising prices to offset the higher cost of pulp is challenging. As a result of these efforts, the EBITDA margin increased slightly to 8.6 percent (8.4), while our income per tonne decreased to at PLN 5.04k (5.85k), the latter mainly due to currency effects from a stronger zloty. During the period, Arctic Paper started a modernization of its paper sales and customer service organization to increase efficiency. The change is estimated to result in annual savings of approximately PLN 15 million with full effect in 2025.

The pulp segment – Rottneros – delivered a better result as the production-related challenges that hampered the first quarter have been delt with. The pulp market continued to move in the right direction with clear price increases, at the same time as rising pulpwood prices squeezed the margin. Net sales rose to SEK 711 million (681) with an EBITDA result of SEK 65 million (71). Rottneros continued its ambitious investment program to expand both CTMP capacity and renewable energy production.

The joint venture investment with Rottneros in a new production facility for molded fiber trays in Kostrzyn is progressing as planned with the aim of being operational in the autumn. The interest in fossil-free and climate-friendly packaging solutions continues to be strong.

Arctic Paper's growing power segment is an important alternative future revenue stream as well as a step to reaching climate neutrality in the future. We continue to invest in green energy. In June, the 17 MW expansion of our PV-farm in Kostrzyn was operational. This will add an additional 18 GWh of renewable energy per year to power our mill. We are preparing to build another PV-farm in Kostrzyn with a capacity of 9 MW, which will be launched in Q1 2025. The investment in an expansion of the biofuel boiler and steam turbine in Grycksbo is progressing according to our plan and is expected to be completed in the summer of 2025.

The recovery in our main segments and most important markets may take time, and we expect the current market situation to persist in the third quarter of the year. The volatility in our markets underlines the importance of continuing to diversify our business into energy and packaging, while maintaining our strong positions in pulp and paper. The combination of forward-looking investments, cost awareness and continued focus on margins makes Arctic Paper well prepared to take advantage of any market-related opportunities that may arise.

Revenues

The decrease in revenue from paper and pulp sales in H1 2024 compared to H1 2023 is mainly due to the decrease in paper sales prices and, to a lesser extent, pulp sales prices. These decreases were not offset by higher sales volumes for both product groups. The slight increase in revenue in Q2 2024 compared to Q2 2023 is due to the relatively smaller decrease in selling prices relative to the increase in sales volumes during this period.

Profit on sales, EBIT, EBITDA, net profit

The decrease in profit on sales, EBIT, EBITDA and net profit for H1 2024 compared to H1 2023 is due to the decrease in revenue from paper and pulp sales and the strong increase in the cost of pulp used in paper production. The increase in EBIT and EBITDA in Q2 2024 compared to Q2 2023 was due to the change in inventories.

Profitability analysis

PLN '000	Q2 2024	Q1 2024	Q2 2023	H1 2024	H1 2023	Change % Q2 2024/ Q1 2024	Change % Q2 2024/ Q2 2023	Change % H1 2024/ H1 2023
Profit/(loss) on sales	151 655	207 124	141 633	358 779	410 985	(26,8)	7,1	(12,7)
% of sales revenues	*18,07*	*21,46*	*16,94*	*19,88*	*22,00*	*(3,4) p.p.*	*1,1 p.p.*	*(2,1) p.p.*
EBITDA	**70 429**	**111 989**	**68 932**	**182 418**	**254 466**	**(37,1)**	**2,2**	**(28,3)**
% of sales revenues	*8,39*	*11,60*	*8,24*	*10,11*	*13,62*	*(3,2) p.p.*	*0,1 p.p.*	*(3,5) p.p.*
EBIT	**41 828**	**83 655**	**39 324**	**125 483**	**194 960**	**(50,0)**	**6,4**	**(35,6)**
% of sales revenues	*4,98*	*8,67*	*4,70*	*6,95*	*10,43*	*(3,7) p.p.*	*0,3 p.p.*	*(3,5) p.p.*
Net profit/(loss)	**24 152**	**81 569**	**46 889**	**105 722**	**178 554**	**(70,4)**	**(48,5)**	**(40,8)**
% of sales revenues	*2,88*	*8,45*	*5,61*	*5,86*	*9,56*	*(5,6) p.p.*	*(2,7) p.p.*	*(3,7) p.p.*
Return on equity / ROE (%)	*1,4*	*4,6*	*2,7*	*6,0*	*10,4*	*(3,2) p.p.*	*(1,3) p.p.*	*(4,3) p.p.*
Return on assets / ROA (%)	*0,9*	*3,0*	*1,8*	*4,0*	*6,9*	*(2,1) p.p.*	*(0,9) p.p.*	*(2,9) p.p.*

Lower return on equity and return on assets ratios were due primarily to the lower net profit generated in H1 2024 versus the equivalent period last year.

Selected items of the consolidated statement of financial position

PLN thousand	2024-06-30	2023-12-31	2023-06-30	Change 30.06.2024 -31.12.2023	Change 30.06.2024 -30.06.2023
Fixed assets	1 351 201	1 292 261	1 234 406	58 941	116 795
Aktywa przeznaczone do sprzedaży	1 308 443	1 430 616	1 364 796	(122 173)	(56 353)
Total assets	**2 659 644**	**2 722 877**	**2 599 202**	**(63 233)**	**60 442**
Equity	1 748 415	1 801 508	1 724 002	(53 092)	24 413
Short-term liabilities	678 100	641 617	575 107	36 483	102 994
interest-bearing debt	*74 470*	*43 443*	*51 190*	*31 027*	*23 280*
other non-financial liabilities	*138 458*	*212 253*	*172 453*	*(73 795)*	*(33 994)*
Long-term liabilities	233 128	279 752	300 094	(46 624)	(66 965)
Total equity and liabilities	**2 659 644**	**2 722 877**	**2 599 202**	**(63 233)**	**60 442**

Fixed assets

The increase in fixed assets at the end of June 2024 compared to the end of the previous year is mainly due to the increase in tangible fixed assets. The increase in tangible fixed assets is mainly due to investments in Group companies.

Current assets

The decrease in current assets at the end of June 2024 compared to the end of the previous year is mainly due to other financial assets and cash. The decrease in other financial assets is mainly the result of a decrease in the positive valuation of derivatives, mainly energy forwards. The decrease in cash is due to dividend payments to both AP SA Shareholders and non-controlling Shareholders.

Equity

The decrease in equity at the end of June 2024 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 approval of a dividend to AP SA Shareholders and to non-controlling Shareholders paid by Rottneros AB.

Short-term liabilities

The increase in short-term liabilities at the end of June 2024 compared to the end of the previous year is mainly due to the increase in the value of trade liabilities caused by the increase in the price of pulp and the increase in interest-bearing working capital loans.

Long-term liabilities

The decrease in long-term liabilities at the end of June 2024 compared to the end of the previous year is mainly due to a decrease in deferred tax liabilities and loans due to their reclassification to the current portion. The decrease in the deferred tax liability is primarily the result of a lower positive valuation of derivatives.

Debt analysis

	Q2 2024	Q1 2024	Q2 2023	Change % Q2 2024/ Q1 2024	Change % Q2 2024/ Q2 2023
Debt to equity ratio (%)	52,1	53,0	50,8	(0,8) p.p.	1,4 p.p.
Equity to fixed assets ratio (%)	129,4	139,1	139,7	(9,7) p.p.	(10,3) p.p.
Interest-bearing debt-to-equity ratio (%)	9,5	8,3	10,0	1,1 p.p.	(0,6) p.p.
Net debt to EBITDA ratio for the last 12 months (x)	(0,4)x	(0,8)x	(0,2)x	0,4	(0,2)
EBITDA to interest expense ratio for the last 12 months (x)	46,4x	49,8x	124,1x	(3,4)	(77,7)

The increase in the debt-to-equity ratio in Q2 2024 is the result of an increase in the level of liabilities.

The decrease in the equity to fixed assets ratio in Q2 2024 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 June 2024 is a result of the decrease in EBITDA.

Liquidity analysis

	Q2 2024	Q1 2024	Q2 2023	Change % Q2 2024/ Q1 2024	Change % Q2 2024/ Q2 2023
Current ratio	**1,9x**	**2,1x**	**2,4x**	**(0,1) p.p.**	**(0,4) p.p.**
Quick ratio	**1,2x**	**1,4x**	**1,4x**	**(0,2) p.p.**	**(0,3) p.p.**
Cash solvency ratio	**0,5x**	**0,7x**	**0,5x**	**(0,2) p.p.**	**(0,1) p.p.**
DSI (days)	66,1	53,4	68,6	12,7	(2,4)
DSO (days)	49,3	46,5	43,4	2,9	5,9
DPO (days)	60,9	60,6	45,5	0,3	15,4
Operating cycle (days)	115,5	99,9	112,0	15,6	3,5
Cash conversion cycle (days)	**54,6**	**39,3**	**66,5**	**15,3**	**(11,9)**

The prolongation of the cash conversion cycle in Q2 2024 with respect to the Q2 2023 is mainly the result of a prolongation of the payables turnover cycle in days.

Selected items of the consolidated cash flow statement

PLN '000	Q2 2024	Q1 2024	Q2 2023	H1 2024	H1 2023	Change % Q2 2024 Q1 2024	Change % Q2 2024 Q2 2023	Change % H1 2024 H1 2023
Cash flows from operating activities	4 098	78 106	99 473	82 204	144 715	(94,8)	(95,9)	(43,2)
Cash flows from investing activities	(103 093)	(72 969)	19 674	(176 062)	(36 951)	41,3	(624,0)	376,5
Cash flows from financing activities	(71 573)	(21 736)	(251 290)	(93 309)	(258 867)	229,3	(71,5)	(64,0)
Total cash flows	**(170 568)**	**(16 600)**	**(132 142)**	**(187 167)**	**(151 103)**	**927,5**	**29,1**	**23,9**

Cash flows from operating activities

The positive cash flows from operating activities in both Q2 2024 and H1 2024 is primarily the result of positive EBITDA.

Cash flows from investing activities

The positive cash flows from investing activities in Q2 2024 is mainly the result of expenditure on the purchase of tangible fixed assets.

Cash flows from financing activities

Negative cash flows from financing activities in both Q2 2024 and H1 2024 are 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 statement of profit and loss

PLN '000	Q2 2024	Q1 2024	Q2 2023	H1 2024	H1 2023	Change % Q2 2024/ Q1 2024	Change % Q2 2024/ Q2 2023	Change % H1 2024/ H1 2023
Sales revenues	**94 216**	**19 149**	**183 943**	**113 365**	**187 544**	***392,02***	***(48,78)***	***(39,55)***
Profit on sales	91 568	16 385	181 198	107 953	182 691	*458,85*	*(49,47)*	*(40,91)*
EBIT	**87 250**	**9 572**	**176 248**	**96 822**	**175 072**	***811,51***	***(50,50)***	***(44,70)***
EBITDA	**87 359**	**9 665**	**176 292**	**97 024**	**175 182**	***803,87***	***(50,45)***	***(44,62)***
Gross profit/(loss)	**86 917**	**9 973**	**176 286**	**96 890**	**173 537**	***771,52***	***(50,70)***	***(44,17)***
Net profit/(loss)	**88 451**	**10 580**	**177 701**	**99 031**	**175 505**	***736,02***	***(50,22)***	***(43,57)***

Revenue and profit on sales

The main reason for the increase in revenue and profit in H1 2024 compared with Q1 2024 was the receipt of dividends from Arctic Paper Kostrzyn S.A in the amount of PLN 90,870 thousand. The decrease in revenue in H1 2024 to the corresponding period of 2023 was due to the impact of higher dividends in Q1 and Q2 2023.

EBIT and EBITDA

The decrease in EBIT and EBITDA in Q2 2024 compared to the same period in 2023 is due to the receipt of a lower dividend and lower sales revenue and higher administrative expenses.

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

Despite the increase in financial income and lower financial costs in H1 2024, the financial result in H1 2024 compared to the same period in 2023 is lower and this is due to the Company receiving a lower dividend in the amount of PLN 105,597 thousand in H1 2024.

Selected items of the standalone statement of financial position

PLN '000	30.06.2024	31.12.2023	30.06.2023	Change 30.06.2024 -31.12.2023	Change 30.06.2024 -30.06.2023
Fixed assets	995 929	989 972	889 935	5 957	105 994
Current assets	205 185	297 712	130 476	(92 527)	74 709
Total assets	**1 201 115**	**1 287 686**	**1 020 411**	**(86 571)**	**180 704**
Equity	867 295	837 975	764 063	29 320	103 232
Short-term liabilities	303 706	405 043	198 087	(101 337)	105 619
Long-term liabilities	30 118	44 668	58 263	(14 550)	(28 146)
Total equity and liabilities	**1 201 115**	**1 287 686**	**1 020 411**	**(86 571)**	**180 704**

Fixed assets

The increase in the value of fixed assets in H1 2024, compared to H1 2023 is mainly due to the reversal of the impairment loss onthe shares in Arctic Paper Investment AB at the end of 2023.

Current assets

The increase in current assets is due to higher cash and an increase in receivables in Q2 2024 compared to the same period in 2023. The decrease in curent assets compared to the end of 2023 is due to the change in cash and cash equivalents.

Equity

The main reason for the increase in equity compared to H1 2023 was the profit generated in H1 2024.

Short-term liabilities

The decrease in short-term liabilities in H1 2024 compared to Q4 2023 is mainly due to the decrease in the item "Interest-bearing loans, borrowings and debt securities", and this is due to the change in the value of the company's cash-pooling liabilities. The increase in short-term liabilities in Q2 2024 compared to the same period in 2023 is mainly due to an increase in the company's cash-pooling liabilities.

Long-term liabilities

The decrease in long-term liabilities compared to H1 2023 is due to the repayment of bank loan instalments in Q4 2023 and Q2 2024.

Selected items of the standalone cash flow statement

PLN '000	Q2 2024	Q1 2024	H1 2024	H1 2023	Change % Q2 2024/ Q1 2024	Change % H2 2023/ H1 2023
Cash flows from operating activities	(36 978)	26 322	(10 656)	83 558	(240,5)	(112,8)
Cash flows from investing activities	(415)	(292)	(707)	(4 782)	42,1	(85,2)
Cash flows from financing activities	(84 099)	(314)	(84 413)	(203 147)	26 723,8	(58,4)
Total cash flows	**(121 492)**	**25 716**	**(95 776)**	**(124 371)**	**(100,0)**	**(23,0)**

The cash flow statement shows an increase in cash in H1 2024 of PLN 95,776 thousand, consisting of:

- negative cash flows from operating activities of PLN -10,656 thousand,
- negative cash flow from investing activities of PLN -707 thousand,
- negative cash flows from financing activities of PLN -84,413 thousand.

Cash flows from operating activities

In H1 2024, net cash flows from operating activities amounted to PLN -10,656 thousand as compared to PLN 83,558 thousand in the equivalent period of 2023. The decrease in cash flow in operating activities in the first half of this year is due to a reduction in cash-pooling liabilities.

Cash flows from investing activities

In H1 2024, cash flows from investing activities flows from investing activities amounted to PLN -707 thousand and were related to the purchase of fixed assets in the company.

Cash flows from financing activities

Flows from financing activities in H1 2024 reached PLN -84,413 thousand compared with PLN -203,147 thousand in the same period of 2023. In 2024, the negative flows were related to dividends at a lower amount and to the repayment of loan obligations.

Factors influencing the development of the Arctic Paper Group

Information on market trends

In Q2 2024, the Arctic Paper Group reported a 20.9% decrease in order levels compared to Q1 2024, with a 17.6% increase in order levels compared to the same period in 2023.

Source of data: Arctic Paper analysis

Paper prices

At the end of H1 2024, the prices of uncoated wood-free paper (UWF) in Europe decreased by 4.2% versus the prices at the end of 2023 while for coated wood-free paper (CWF) there was a decrease by 2.7%.

At the end of June 2024, the average prices declared by producers for selected types of paper and markets: Germany, France, Spain, Italy, United Kingdom – for both uncoated wood-free paper (UWF) and coated wood-free paper (CWF) were higher than at the end of December 2023 by 0.8% and 2.6% respectively.

The prices invoiced by Arctic Paper in EUR for comparable products in the segment of uncoated wood-free paper (UWF) increased from the end of December 2023 until the end of June 2024 by 5.2 % on the average while in the segment of coated wood- free paper (CWF) the prices increased by 2.3%. At the end of H1 2024, the prices of uncoated wood-free paper (UWF) invoiced by Arctic Paper decreased by 7.7% versus the prices at the end of June 2023 while for coated wood-free paper (CWF) there was a decrease by 6.2%.

Source: For market data – RISI, price changes for selected markets in Germany, France, Spain, Italy and the UK in local currencies for graphic papers similar to the product portfolio of the Arctic Paper Group. The prices are quoted without considering specific rebates for individual customers 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 Q2 2024, the pulp prices reached the level of: NBSK – USD 1.612/tonne and BHKP – USD 1439.5/tonne.

The average NBSK price in Q2 2024 was higher by 15.2% compared to the equivalent period of the previous year while for BHKP the average price was higher by 23.5%. Compared to Q1 2024, the average pulp price in Q2 2023 was higher by 13.3% for NBSK and by 20.9% for BHKP.

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

The average pulp cost used for production of paper calculated for the Arctic Paper Group in PLN increased in Q2 2024 compared to Q1 2024 by 15.3%. The average pulp cost used for production used in first half of 2024 compared to te same priod in relation to first half 2023 decreased by 26.2%.

The share of pulp costs in overall selling costs after 6 months of the current year was 50% versus about 52% in the equivalent period in 2023.

The Arctic Paper Group uses the pulp in the production process according to the following structure: BHKP 78%, NBSK 18% and other 4%.

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

Currency exchange rates

At the end of Q2 2024, the EUR/PLN rate amounted to 4.3130 and was by 0.3% higher than at the end of Q2 2023. The mean EUR/PLN exchange rate in H1 2024 amounted to 4.3178 and was by 6.7% lower than in the equivalent period of 2023.

The EUR/SEK exchange rate amounted to 11.3769 at the end of Q2 2024 (decrease by 3.7% versus the end of Q2 2023). For that currency pair, the mean exchange rate in H1 2024 was by 0.5% higher than in the equivalent period of 2023. 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 Q2 2024 amounted to 4.0320. In H1 2024 the mean USD/PLN exchange rate was 3.9936 versus 4.2828 in the equivalent period of the previous year which was a decrease by 6.8%. In Q2 2024 the mean USD/PLN exchange rate was 3.9952 and was by 4.2% lower than in Q2 2023. The change has positively 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 Q2 2024 amounted to 10.6357. In H1 2024, the mean exchange rate amounted to 10.5345 compared to 10.4839 in the equivalent period of the previous year which was an appreciation of the exchange rate by 0.5%. In Q2 2024 the mean USD/SEK exchange rate increased by 2.8% versus Q1 2024. The change in comparison to the equivalent quarter of 2023 unfavourably affected the costs incurred in USD by AP Munkedals and AP Grycksbo, in particular the costs of pulp.

At the end of June 2023, the EUR/USD exchange rate amounted to 1.0697 compared to 1.0837 (-1.3%) at the end of June 2023. In Q2 2024, the EUR depreciated against the USD compared to Q2 2023 (-1.1%). In H1 2024 the mean exchange rate was 1.0812 while in the equivalent period of the previous year it was 1.0809, which means no significant change in the compared periods.

The strengthening of the PLN against the EUR has adversely affected the Group's financial profit, mainly due to decreased sales revenues generated in EUR and translated into PLN. The strengthening of the PLN against the USD in turn had a positive impact on the Group's financial performance, as it resulted in lower purchase costs for the main raw material at the Kostrzyn mill. The weakening SEK against EUR 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 quarter, include:

- Shaping demand for high-quality paper in Europe at a time of a tense geopolitical situation, high energy prices, and an expected economic slowdown. Over the recent years there has been a major decrease of demand for fine paper in Europe (level of executed orders). Further negative developments in the market may adversely affect order levels to our Paper Mills. The intensification of remote working may have the additional effect of reducing demand for high-quality graphic papers and therefore negatively affect the Group's financial performance.
- Price changes of fine paper. In particular, the possibility to maintain the prices of Arctic Paper products in local currencies in view of the declining supply/demand in Europe and in the context exchange rates fluctuations, will have a material influence on the financial results. Paper prices are going to be of particular importance for the Paper Mill of Grycksbo which – in connection with the market changes – experiences the greatest adverse impact of drop of sales volumes, prices as well as of exchange rate fluctuations.
- Price fluctuations of raw materials, including pulp for Paper Mills and electricity for all operational entities. In particular, financial results of Paper Mills may be negatively influenced by increasing pulp prices, particularly BHKP. On the other hand, dropping NBSK pulp prices may negatively affect the financial results of Pulp Mills. Fluctuations of electricity prices in Sweden may also have a material impact on the results generated by the Group. In the future, such market changes may translate into changes of sales profitability in Paper Mills of AP Munkedals and AP Grycksbo as well as in Pulp Mills of Rottneros and Vallvik.
- Changes in currency rates, in particular, the appreciation of PLN and SEK in relation to EUR and GBP, the appreciation of PLN in relation to SEK, and the depreciation of PLN and SEK in relation to USD, may have an adverse effect on the financial results. However, the Group's Pulp Mills may benefit from the appreciation of USD in relation to SEK.

Risk factors

Major changes to risk factors

There were no significant changes in risk factors in H1 2024.

Risk factors related to the environment in which the Group operates

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

The risk related to intensifying competition in the paper market in Europe

Our Group operates in a very competitive market. The achievement of the strategic objectives assumed by the Group may be made difficult by operations of competitors, particularly integrated paper producers operating on a larger scale than our Group. Any more intensified competition resulting from a potential growth of production capacity of our competitors and thus an increased supply of paper to the market, may adversely affect the achievement of the planned revenues and thus the ability to achieve the underlying financial and operational assumptions.

Risk of changing legal regulations

Our Group operates in a legal environment characterised with a high level of uncertainty. The regulations affecting our business have been frequently amended and often there are no consistent interpretations which generates a risk of violating the existing regulations and the resultant consequences even if such breach was unintentional. Additionally, amendments to regulations relating to environmental protection and other regulations may generate the need to incur material expenditures to ensure compliance, inter alia, more restrictive regulations or stricter implementation of the existing regulations concerning the protection of surface waters, soil waters, soil and atmospheric air.

Currency risk

Revenues, expenses and results of the Group are exposed to currency risk, in particular relating to exchange rates of PLN and SEK to EUR, GBP and other currencies. Our Group exports a majority of its produced paper to European markets, generating a material part of its sales revenues in EUR, GBP, PLN and SEK. Sales revenues of pulp in the Pulp Mills are subject to USD fix risk. The purchase costs of materials for paper production, in particular pulp for paper mills are paid primarily in USD and EUR. Additionally, we hold loan liabilities mainly in PLN, EUR and SEK. PLN is the currency used in our financial statements and therefore our revenues, expenses and results generated by the subsidiaries domiciled abroad are subject to exchange rate fluctuations. Thus currency exchange rate fluctuations may have a strong adverse effect on the results, financial conditions and prospects of the Group.

Interest rate risk

The Group is exposed to interest rate risk in view of the existing interest-bearing debt. The risk results from fluctuations of such interest rates as WIBOR for debt in PLN, EURIBOR for debt in EUR and STIBOR for debt in SEK. Unfavourable changes of interest rates may adversely affect the results, financial condition and prospects of the Group.

Risk related to increasing importance of alternative media

Trends in advertising, electronic data transmission and storage and in the Internet have adverse impact on traditional printed media and thus on the products of the Group and its customers. Continuation of such changes may adversely affect the results, financial condition and prospects of the Group.

Risk factors relating to the business of the Group

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

Risk related to relatively low operational margins

Historically, the operational results of the Group are characterised by relatively high volatility and low profit margins on operations. Reduced revenues resulting e.g. from changes to production capacity, output, pricing policies or increased operating expenses that primarily comprise costs of raw materials (mainly pulp for Paper Mills) and energy, may mean the Group's losses in earning capacity. Material adverse changes to profitability may result in reduced prices of our stock and reduced capacity to generate working capital thus adversely affecting our business and deteriorating our prospects.

Risk of price changes to raw materials, energy and products

We are exposed to the risk of price changes of raw materials and energy, primarily related to price fluctuations of pulp, gas and electricity. Paper Mills buy pulp under frame agreements or in one-off transactions and do not hedge against fluctuations of pulp prices. A part of pulp is supplied to our Paper Mills from the Pulp Mills of the Rottneros Group. The risk of changing prices of raw materials is related primarily to changing prices of paper and pulp in the markets to which we sell our products. A material growth of prices of one or more raw materials and energy may adversely affect the operating results and financial condition of the Group.

Risk of disruption to production processes

Our Group holds three Paper Mills operating jointly seven production lines with total annual production capacity of over 700,000 tonnes of paper and two Pulp Mills with a total production capacity of 400,000 tonnes of pulp. Long-lasting disruption to the production process may result from a number of factors, including a breakdown, human error, unavailability of raw materials, natural catastrophes and other that are beyond our control. Each such disruption, even relatively short, may have material impact on our production and profitability and result in material costs for repairs, liabilities to buyers whose orders we are not able to satisfy and other expenses.

Risk related to our investments

Investments by the Group aimed at expanding the production capacity of the Group require material capital outlays and a relatively long time to complete. As a result, the market conditions under which we operate may be materially changed in the period between our decision to incur investment outlays to expand production capacity and the completion time. Changes of market conditions may result in a volatile demand for our products which may be too low in the context of additional production capacities. Differences between demand and investments in new production capacities may result in failure to utilise the expanded production capacity to the full extent. This may have adverse effect on the operating results and financial condition of the Group.

Risk factors relating to the debt of the Group

Our Group mainly has debt under a loan agreement with a consortium of banks (Pekao SA, Santander Bank S.A. and BNP Paribas SA) of 2 April 2021, loan debt with Danske Bank, Nordea Bank and under leasing agreements.

Failure by the Group to comply with its obligations, including the agreed levels of financial ratios (covenants) resulting from the agreements, will result in default under those agreements. Events of default may in particular result in demand for repayment of our debt, banks taking control over important assets like Paper Mills or Pulp Mills and loss of other assets which serve as collateral, deterioration of creditworthiness and lost access to external funding which will be converted into lost liquidity and which in turn may materially adversely affect our business and development prospects and our stock prices.

Risk related to insurance limits

In the context of deteriorating situation in paper industry and the results of the Arctic Paper Group, our suppliers, in particular suppliers of such raw materials as pulp, may have problems with acquiring insurance limits (sale on credit) and thus they may lose the possibility of offering deferred payment terms to the Arctic Paper Group. Such situation may result in deteriorated financial situation and loss of financial liquidity of operating units and as a result this may adversely affect the situation in the entire Group.

Risk of restricted supplies of natural gas

Polskie Górnictwo Naftowe i Gazownictwo S.A (PGNiG) is the sole supplier of natural gas used by AP Kostrzyn to generate heat and electrical energy for paper production. (PGNiG). In this context, the business and costs of paper production at AP Kostrzyn is materially affected by availability and price of natural gas. Potential disruptions of supplies of natural gas to the Paper Mill in Kostrzyn nad Odrą may have adverse effect on production, results on operations and financial condition of the Group.

Risk related to consolidation and liquidity of key customers

Consolidation trends among our existing and potential customers may result in a more concentrated customer base covering a few large buyers. Such buyers may rely on their improved bargaining position in negotiating terms of paper purchases or decide to change the supplier and acquire products from our competitors. Additionally, in the context of the deteriorating condition in printing industry, such customers as paper distributors, printing houses or publishers may not be able to obtain insurance limits (sale on credit) or have problems with financial liquidity which may result in their bankruptcy and adversely affect our financial results. The above factors may have adverse impact on the operational results and financial condition of the Group.

Risk related to compliance with regulations on environmental protection and adverse impact of the production process on the environment

The Group meets the requirements related to environmental protection; however, no certainty exists that it will always be able to comply with its obligations and that in the future it will avoid material expenses or that it will not incur material obligations related to the requirements or that it will be able to obtain all permits, approvals and other consents to carry on its business as planned. Similarly, considering that paper and pulp production is related to potential hazards relating to waste generated in Paper Mills and Pulp Mills and contamination with chemicals, no certainty exists that in the future the Group is not charged with liability for environmental pollution or that no event that may underlie the liability of the Group has not already occurred. Thus the Group may be required to incur major expenses in connection with the need to remove contamination and land reclamation.

Risk related to CO2 emissions

Our Paper Mills and Pulp Mills are provided with free carbon dioxide emission rights for each period. The emission rights are awarded within the EU Emission Trading Scheme. Should such free carbon dioxide emission rights be cancelled and replaced with a system of paid emission rights, our costs of energy generation will grow accordingly. Additionally, we may be forced to incur other unpredictable expenses in connection with the emission rights or changing legal regulations and the resultant requirements. Due to the above we may be forced to reduce the quantity of generated energy or to increase the production costs which may adversely affect our business, financial condition, operational results or development prospects.

Risk related to dividend distribution

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

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

Key factors affecting the performance results

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

- macroeconomic and other economic factors,
- demand growth for products based on natural fibres,
- reduced demand for certain paper types,
- fluctuations of paper prices,
- pulp price fluctuations for Paper Mills, timber for Pulp Mills and energy prices,
- currency exchange rate 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 CO_2 emissions. The costs of transportation include the costs of transportation services provided to the Group mainly by external entities.

Taking into account the share of those costs in total operating expenses of the Group and the limited possibility of controlling these costs by the Group Companies, their fluctuations may have a major impact on the Group's profitability.

A part of pulp supplies to our Paper Mills is made from our own Pulp Mills. The remaining part of pulp manufactured at our Pulp Mills is sold to external customers.

Currency rate fluctuations

The Group's operating results are significantly influenced by currency rate fluctuations. In particular, the Group's revenues and costs are expressed in different foreign currencies and are not matched, therefore, the appreciation of the currencies in which we incur costs towards the currencies in which we generate revenues, will have an adverse effect on the Group's results. Our products are primarily sold to euro zone countries, Scandinavia, Poland and the UK, thus our revenues are largely denominated in EUR, GBP, SEK and PLN while revenues from the pulp mills are primarily denominated in USD. The Group's operating expenses are primarily expressed in USD (pulp costs for Paper Mills), EUR (costs related to pulp for Paper Mills, energy, transportation, chemicals), PLN (the majority of other costs incurred by the Paper Mill in Kostrzyn nad Odrą) and SEK (the majority of other costs incurred by the Munkedal and Grycksbo Paper Mills as well as the Rottneros and Vallvik Pulp Mills).

Exchange rates also have an important impact on results reported in our financial statements because of changes in exchange rates of the currencies in which we generate revenues and incur costs, and the currency in which we report our financial results (PLN).

Unusual events and factors. Impact of changes in Arctic Paper Group's structure on the financial result

Receipt of the decision to grant support to the Issuer's subsidiary

On 11 March 2024, the Management Board became aware that the Ministry of Development and Technology had granted its subsidiary Arctic Paper Kostrzyn S.A. a decision on public aid for development investments. These investments will consist of upgrading paper machines, improving the efficiency and energy intensity of the paper production process and building infrastructure. The support decision was granted under the following conditions:

1. If the tax exemption for eligible costs is used, the maximum amount of eligible investment costs will be PLN 133.9 million.

2. The nominal value of the aid in the form of tax exemptions will amount to a maximum of PLN 53.4 million, (40% of the expenditure incurred) and will depend on the actual investment outlay. Arctic Paper Kostrzyn S.A. will be entitled to benefit from the aid upon completion of the investment within a period of 14 years from the date of the decision.

3. The new investments will take place between 1 April 2024 and 31 March 2027.

Conclusion of material agreements by the Issuer's subsidiaries

On 8 May 2024, the Management Board became aware that the subsidiaries – Arctic Paper Grycksbo AB and Arctic Paper Munkedal AB had entered into an agreement with S.E.R. Sverige AB, concerning the installation and grid connection at the two Swedish paper mills, of battery-based electricity storage facilities with a total capacity of 24 MW and the provision of system services to the Swedish electricity transmission system operator Svenska Kraftnät.
The agreements have been concluded for a period of 15 years and the estimated impact on the annual consolidated EBITDA of the Issuer's group will be between MSEK 10 and MSEK 30 in the first two years of the agreements, starting from 2025.

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 2024.

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

As at 30 June 2024, the Company's Supervisory Board was composed of:

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

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

As at 30 June 2024, the Parent Entity's Management Board was composed of:

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

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

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

Managing and supervising persons	Number of shares or rights to shares as at 08.08.2024	Number of shares or rights to shares as at 30.06.2024	Number of shares or rights to shares as at 14.05.2024	Change
Management Board				
Michał Jarczyński	5 572	5 572	5 572	-
Katarzyna Wojtkowiak	-	-	-	-
Tom Fabian Langenskiöld	900	900	900	-
Supervisory Board				
Per Lundeen	34 760	34 760	34 760	-
Thomas Onstad	5 623 658	5 623 658	5 623 658	-
Roger Mattsson	-	-	-	-
Zofia Dzik	-	-	-	-
Anna Jakubowski	-	-	-	-

***Figures in the table do not include shares held indirectly

The shareholding of the Company's managing and supervising persons has not changed since the publication of the last interim report, i.e. the report for Q1 2024, on 14 May 2024.

Information on sureties and guarantees

As at 30 June 2024, the Capital Group reported:

— a bank guarantee in favour of Skatteverket Ludvika in the amount of SEK 135 thousand;
— a contingent liability of Arctic Paper Munkedals AB related to a surety for the obligations of Kalltorp Kraft HB in the amount of SEK 434 thousand;
— pledge on properties held by Arctic Paper Munkedals Kraft AB as required by loan agreements with Nordea Bank for SEK 80,000 thousand (related to the investment in the hydro power plant;
— pledges on shares in subsidiaries in the Rottneros Group for SEK 284,730 thousand under loan agreements concluded with Danske Bank.

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

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

2. under Swedish law – Collateral Documents establishing the following Collateral:
   - pledges on all shares held by the Companies and the Guarantors, registered in Sweden, belonging to group companies, except for the Company's shares
   - mortgages on all real properties located in Sweden and owned by the Company and the Guarantors as long as such collateral covers solely the existing mortgage deeds;
   - corporate mortgage loans granted by the Guarantors registered in Sweden as long as such collateral covers solely the existing mortgage deeds;
   - assignment of (existing and future) insurance policies covering the assets of the Company and the Guarantors (with the exception of insurance policies listed in the Loan Agreement);
   - pledges on Swedish bank accounts of the Company and the Guarantors as long as such collateral is without prejudice to free management of funds deposited on bank accounts until an event of default specified in the Loan Agreement.

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.

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

On 14 July 2023, Arctic Paper S.A. contracted with PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. o . to review the Company's interim standalone consolidated financial statements and the Group's interim consolidated financial statements for the periods from 1 January 2023 to 30 June 2023 and from 1 January 2024 to 30 June 2024, and to audit the Company's stand-alone financial statements and the Group's consolidated financial statements for the financial periods from 1 January 2023 to 31 December 2023 and for the financial periods from 1 January 2024 to 31 December 2024. The contract was concluded for the time required to perform the above services.

Statements of the Management Board

Accuracy and reliability of the presented reports

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

— The interim abbreviated consolidated financial statements for the period of 6 months ended on 30 June 2024 of the Arctic Paper S.A. Capital Group and the comparable data and the interim abbreviated standalone financial statements for the period of 6 months ended on 30 June 2024 of the Arctic Paper S.A. Capital Group and the comparable data have been prepared in compliance with the applicable accounting standards and that they reflect in a true, reliable and clear manner the economic and financial condition of the Capital Group and its financial results for the period of the first 6 months of 2024.

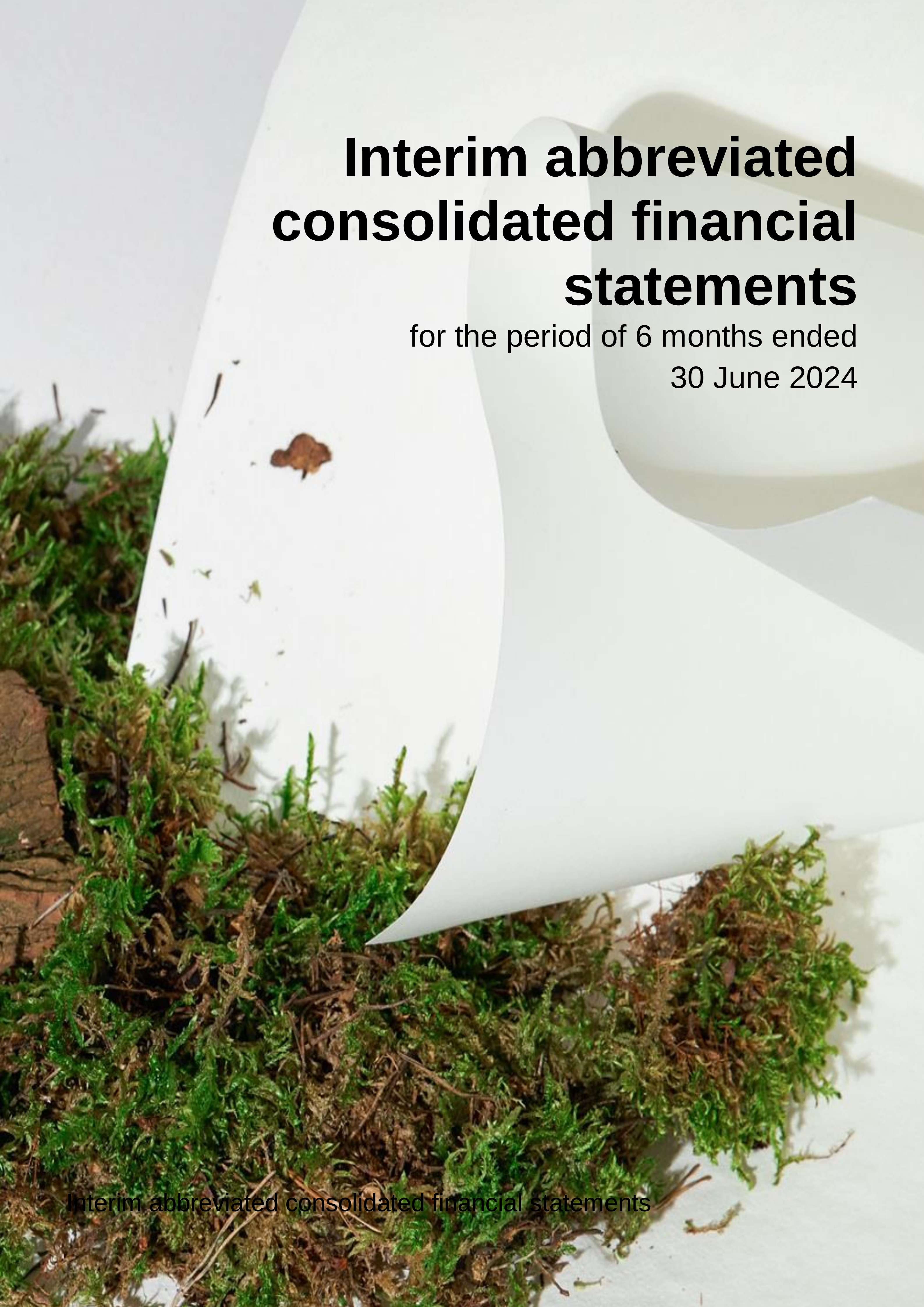
— The Management Board's Report from operations of the Arctic Paper S.A. Capital Group to the report for H1 2024 contains a true image of the development, achievements and condition of the Arctic Paper S.A. Capital Group, including a description of core hazards and risks.

Signatures of the Members of the Management Board

Position	First and last name	Date	Signature
President of the Management Board Chief Executive Officer	Michał Jarczyński	8 August 2024	signed with a qualified electronic signature
Member of the Management Board Chief Financial Officer	Katarzyna Wojtkowiak	8 August 2024	signed with a qualified electronic signature
Member of the Management Board Vice-President for Sales and Marketing	Fabian Langenskiöld	8 August 2024	signed with a qualified electronic signature

Interim abbreviated consolidated financial statements

for the period of 6 months ended
30 June 2024



Interim abbreviated consolidated profit and loss statement

	Note	3-month period ended on 30 June 2024 (unaudited)	6-month period ended on 30 June 2024 (unaudited)	3-month period ended on 30 June 2023 (unaudited)	6-month period ended on 30 June 2023 (unaudited)
Continuing operations					
Revenues from product sales	9.1	839 206	1 804 584	836 243	1 868 459
Sales revenues		839 206	1 804 584	836 243	1 868 459
Costs of sales	9.2	(687 551)	(1 445 805)	(694 610)	(1 457 474)
Profit/(loss) on sales		151 655	358 779	141 633	410 985
Selling and distribution costs	9.2	(84 104)	(179 378)	(78 371)	(174 262)
Administrative expenses	9.2	(29 323)	(60 003)	(36 025)	(63 005)
Other operating income	9.2	21 753	40 456	23 808	49 666
Other operating expenses	9.2	(18 154)	(34 371)	(11 722)	(28 424)
Profit/(loss) on operations		41 828	125 483	39 324	194 960
Financial income	9.2	(7 278)	12 406	12 322	15 211
Financial expenses	9.2	(2 445)	(7 548)	(314)	(4 348)
Gross profit/(loss)		32 105	130 341	51 332	205 822
Income tax	9.2	(7 953)	(24 619)	(4 443)	(27 269)
Net profit/(loss)		24 152	105 722	46 889	178 554
Attributable to:					
The shareholders of the Parent Entity		17 948	100 415	39 758	147 626
Non-controlling shareholders		6 204	5 307	7 131	30 928
		24 152	105 722	46 889	178 554

Earnings per share:					
– basic earnings from the profit (loss) attributable to the shareholders of the Parent Entity	12	0,26	1,45	0,57	2,13
– diluted earnings from the profit attributable to the shareholders of the Parent Entity	12	0,26	1,45	0,57	2,13

Interim abbreviated consolidated statement of comprehensive income

	3-month-period ended on 30 June 2024 (unaudited)	6-month-period ended on 30 June 2024 (unaudited)	3-month-period ended on 30 June 2023 (unaudited)	6-month-period ended on 30 June 2023 (unaudited)
Profit for the reporting period	24 152	105 722	46 889	178 554
Other comprehensive income				
Items to be reclassified to profit/(loss) in future reporting periods:				
FX differences on translation of foreign operations	26 595	(35 763)	(129 802)	(151 434)
Measurement of financial instruments	(15 110)	(49 627)	7 814	(145 980)
Deferred income tax on the measurement of financial instruments	3 091	10 160	(1 742)	29 604
Items that were reclassified to profit/(loss) during the reporting period:				
Measurement of financial instruments	3 087	(400)	(3 234)	(12 542)
Deferred income tax on the measurement of financial instruments	(631)	82	646	2 544
Other net comprehensive income	17 032	(75 548)	(126 318)	(277 808)
Total comprehensive income for the period	41 184	30 174	(79 429)	(99 255)
Total comprehensive income attributable to:				
The shareholders of the Parent Entity	32 281	48 863	(49 257)	(48 339)
Non-controlling shareholders	8 903	(18 689)	(30 172)	(50 915)

Interim abbreviated consolidated statement of financial position – assets

	Note	As at 30 June 2024 (unaudited)	As at 31 December 2023
ASSETS			
Fixed assets			
Tangible fixed assets	13	1 262 338	1 166 171
Investment properties		1 751	1 751
Intangible assets	13	44 640	58 464
Goodwill	13	7 961	8 230
Interests in joint ventures		4 796	4 891
Other financial assets	14	27 491	49 414
Other non-financial assets		165	158
Deferred income tax assets		2 059	3 183
		1 351 201	1 292 261
Current assets			
Inventories	15	505 341	444 930
Trade and other receivables	16	460 496	415 421
Corporate income tax receivables		15 205	15 205
Other non-financial assets		16 099	17 170
Other financial assets	14	3 630	51 798
Cash and cash equivalents	10	307 672	500 449
		1 308 443	1 430 616
TOTAL ASSETS		2 659 644	2 722 877

Interim abbreviated consolidated statement of financial position – equity and liabilities

	Note	As at 30 June 2024 (unaudited)	As at 31 December 2023
EQUITY AND LIABILITIES			
Equity			
Equity (attributable to the shareholders of the Parent Entity)			
Share capital	22	69 288	69 288
Reserve capital		625 733	435 419
Other reserves		150 204	175 639
FX differences on translation		(133 139)	(107 340)
Retained earnings/Accumulated losses		710 918	870 421
		1 423 003	1 443 427
Non-controlling interests		325 412	358 081
Total equity		1 756 415	1 801 508
Long-term liabilities			
Interest-bearing loans	18	57 284	79 311
Provisions		4 928	5 095
Employee liabilities	20	19 908	41 139
Other financial liabilities	24	33 789	24 887
Deferred income tax liability	21	109 654	121 208
Grants and deferred income		7 565	8 113
		233 128	279 753
Short-term liabilities			
Interest-bearing loans	17	61 091	43 862
Provisions		290	1 240
Other financial liabilities	24	13 379	4 880
Trade and other payables	18	465 172	465 172
Employee liabilities	19	103 111	105 525
Income tax liability		25 423	29 485
Grants and deferred income		9 634	8 708
		678 100	641 617
TOTAL LIABILITIES		911 229	921 371
TOTAL EQUITY AND LIABILITIES		2 659 644	2 722 878

Interim abbreviated consolidated cash flow statement

	Note	6-month period ended on 30 June 2024 (unaudited)	6-month period ended on 30 June 2023 (unaudited)
Cash flows from operating activities			
Gross profit/(loss)		130 341	205 822
Adjustments for:			
Depreciation/amortisation		56 935	59 506
FX gains/(loss)		(7 593)	(6 152)
Interest, net		6 532	6 178
Profit/(loss) on investing activities		2 044	(985)
(Increase) / decrease in receivables and other non-financial assets		(54 450)	63 728
(Increase)/decrease in inventories		(71 864)	28 559
Increase/(decrease) of liabilities except loans, borrowings, bonds and other financial liabilities		38 964	(154 317)
Change in provisions		(950)	7 077
Change in non-financial assets		9 003	(5 093)
Income tax paid		(38 772)	(50 540)
Change in pension provisions and employee liabilities		(1 147)	(21 512)
Change in grants and deferred income		541	(7 082)
Co-generation certificates and CO2 emission rights		12 527	(8 561)
Change in the settlement of realised forward contracts		-	28 937
Other		92	(850)
Net cash flows from operating activities		82 204	144 715
Cash flows from investing activities			
Disposal of tangible fixed assets and intangible assets		799	213
Purchase of tangible fixed assets and intangible assets		(179 887)	(69 574)
Outflows from bank deposit set up for more than 3 months		-	(41 520)
Proceeds from bank deposit set up for more than 3 months		-	41 520
Interest received		-	531
Proceeds from forward contracts that do not comply with hedge accounting rules		3 025	31 469
Other capital outflows / inflows		-	409
Net cash flows from investing activities		(176 062)	(36 951)
Cash flows from financing activities			
Change to overdraft facilities		18 960	-
Repayment of leasing liabilities		(4 208)	(4 440)
Proceeds/repayment of other financial liabilities		(1)	(819)
Inflows of loans and borrowings		1 517	-
Repayment of loans		(23 400)	(18 050)
Dividend disbursed to shareholders of AP SA		(69 288)	(187 077)
Dividend paid to non-controlling shareholders		(13 980)	(41 849)
Interest paid		(2 908)	(6 632)
Net cash flows from financing activities		(93 309)	(258 867)
Increase/(decrease) in cash and cash equivalents		(187 167)	(151 103)
Net FX differences		(5 610)	(23 592)
Cash at the beginning of the period		500 449	481 930
Cash at the end of the period	10	307 672	307 235

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 01 January 2024	69 288	443 805	(107 339)	175 639	862 036	1 443 427	358 081	1 801 508
Net profit/(loss) for the period	-	-	-	-	100 415	100 415	5 307	105 722
Other net comprehensive income for the period	-	-	(25 800)	(25 435)	(317)	(51 553)	(23 995)	(75 548)
Total comprehensive income for the period	-	-	(25 800)	(25 435)	100 097	48 862	(18 688)	30 173
Dividend to AP SA Shareholders	-	-	-	-	(69 288)	(69 288)	-	(69 288)
Profit distribution		181 928	-	-	(181 928)	-	-	-
Dividend distribution to non-controlling entities	-	-	-	-	-	-	(13 980)	(13 980)
As at 30 June 2024 (unaudited)	69 288	625 733	(133 139)	150 204	710 917	1 423 003	325 412	1 748 415

	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 01 January 2023	69 288	407 976	(39 794)	312 447	837 702	1 587 619	464 563	2 052 182
Net profit/(loss) for the period	-	-	-	-	147 626	147 626	30 928	178 554
Other net comprehensive income for the period	-	-	(107 359)	(88 606)	-	(195 965)	(81 843)	(277 808)
Total comprehensive income for the period	-	-	(107 359)	(88 606)	147 626	(48 339)	(50 915)	(99 255)
Profit distribution /Dividend to AP SA Shareholders	-	35 829	-	-	(222 906)	(187 077)	-	(187 077)
Dividend distribution to non-controlling entities	-	-	-	-	-	-	(41 849)	(41 849)
As at 30 June 2023 (unaudited)	69 288	443 805	(147 153)	223 841	762 422	1 352 203	371 799	1 724 002

Additional explanatory notes

1. General information

The Arctic Paper Group is a paper and pulp producer. We offer bulky book paper and a wide range of products in this segment, as well as high-quality graphic paper. The Group produces numerous types of uncoated and coated wood-free paper as well as uncoated wood-containing 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 the period of 6 months of 2024 amounted to PLN 1,805 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 Trebruk AB (formerly Arctic Paper AB), the parent entity of Arctic Paper S.A. In addition, under the expansion, the Group acquired the Paper Mill 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 NASDAQ-listed company in Stockholm with interests in two pulp mills (Sweden).In 2020, the Group took control of Nykvist Skogs AB, a company of private forest owners in 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's registered office is located in Poland, in Kostrzyn nad Odrą (ul. Fabryczna 1). The Company has a foreign branch in Göteborg, Sweden.

The interim abbreviated consolidated financial statements of the Group with respect to the interim abbreviated consolidated profit and loss account, statement of comprehensive income, cash flow statement and statement of changes to equity and notes to the interim abbreviated consolidated statement of comprehensive income and interim abbreviated consolidated statement of profit and loss cover the period of 6 months ended on 30 June 2024 and contain comparable data for the period of 6 months ended on 30 June 2023; and in the consolidated statement of financial condition, it presents data as at 30 June 2024 and as at 31 December 2023.
The interim abbreviated consolidated statement of total comprehensive income the interim abbreviated consolidated statement of profit and loss also include data for the three months ended 30 June 2024 and comparative data for the three months ended 30 June 2023.

1.1. Business activity

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 31 March 2024) 40,981,449 shares of our Company, which constitutes 59.15% of its share capital and corresponds to 59.15% of the total number of votes at General Meetings. Thus Nemus Holding AB is the Parent Entity of the Issuer.

Additionally, Mr Thomas Onstad, an indirect shareholder of Nemus Holding AB, holds directly 5,623,658 shares representing 8.12% of the total number of shares in the Company, and via another entity – 600,000 shares accounting for 0.87% of the total number of shares of the Issuer. Mr Thomas Onstad's total direct and indirect holding in the capital of Arctic Paper S.A. as at 31 March 2024 was 68.13% and has not changed until the date hereof.

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

2. Composition of the Group

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

Unit	Registered office	Business activity	Group's interest in the equity of the subsidiaries as at			
			08 August 2024	30 June 2024	14 May 2023	31 December 2023
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, Am Sandtorkai 72, D-20457 Hamburg	Non-operating company, formerly paper production	99,74%	99,74%	99,74%	99,74%
Arctic Paper Grycksbo AB	Sweden, Box 1, SE 790 20 Grycksbo	Paper production	100%	100%	100%	100%
Arctic Paper UK Limited	United Kingdom, 8 St Thomas Street SE1 9RR London	Trading company	100%	100%	100%	100%
Arctic Paper Baltic States SIA	Latvia, K. Valdemara 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, Interleuvenlaan 62 bus 14, B-3001 Heverlee	Trading company	100%	100%	100%	100%
Arctic Paper Schweiz AG	Switzerland, Gutenbergstrasse 1, CH-4552 Derendingen	Trading company	100%	100%	100%	100%
Arctic Paper Italia srl	Italy, Via Chiaravalle 7, 20 122 Milan	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, 30 rue du Chateau des Rentiers, 75013 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 activity	Group's interest in the equity of the subsidiaries as at			
			08 August 2024	30 June 2024	14 May 2023	31 December 2023
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	Production of energy	100%	100%	100%	100%
Arctic Paper Investment GmbH *	Germany, Am Sandtorkai 72, D-20457 Hamburg	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, Am Sandtorkai 72, D-20457 Hamburg	Activities of holding companies	100%	100%	100%	100%
Arctic Paper Immobilienverwaltung GmbH&Co. KG*	Germany, Am Sandtorkai 72, D-20457 Hamburg	Activities of holding companies	94,90%	94,90%	94,90%	94,90%
Arctic Paper Investment AB **	Sweden, Box 383, 401 26 Göteborg	Activities of holding companies	100%	100%	100%	100%
EC Kostrzyn Sp. z o.o.	Poland, ul. Fabryczna 1, 66-470 Kostrzyn nad Odrą	Rental of properties and machines and equipment	100%	100%	100%	100%
Munkedals Kraft AB	Sweden, 455 81 Munkedal	Production of hydropower	100%	100%	100%	100%
Kostrzyn Packaging Spółka z o.o.	Poland, ul. Fabryczna 1, 66-470 Kostrzyn nad Odrą	Production of packaging	76%	76%	76%	76%
Rottneros AB	Sweden, Söderhamn	Activities of holding companies	51,27%	51,27%	51,27%	51,27%
Rottneros Bruk AB	Sweden, Rottneros	Pulp production	51,27%	51,27%	51,27%	51,27%
Utansjo Bruk AB	Sweden, Söderhamn	Non-operating company	51,27%	51,27%	51,27%	51,27%
Vallviks Bruk AB	Sweden, Vallvik	Pulp production	51,27%	51,27%	51,27%	51,27%
Nykvist Skogs AB	Sweden, Gräsmark	Company grouping forest owners	51,27%	51,27%	51,27%	51,27%
Rottneros Packaging AB	Sweden, Sunne	Production of food packaging	51,27%	51,27%	51,27%	51,27%
SIA Rottneros Baltic	Latvia, Ventspils	Procurement bureau	51,27%	51,27%	51,27%	51,27%

* – companies established for the purpose of the acquisition of Arctic Paper Mochenwangen GmbH
** – company established to acquire Grycksbo Paper Holding AB (closed in 2015) and indirectly Arctic Paper Grycksbo AB

As at 30 June 2024 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 June 2024, the Parent Entity's Management Board was composed of:

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

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 June 2024, the Parent Entity's Supervisory Board was composed of:

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

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

4. Approval of the financial statements

These interim abbreviated consolidated financial statements were approved for publication by the Management Board on 8 August 2024.

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

These abbreviated consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the EU ("EU IFRS"), in particular International Accounting Standard 34.

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 2023.

In connection with the term and revolving loan agreements, signed on 2 April 2021, the Group agreed to maintain specified financial ratios that are calculated at the end of each quarter. As at 30 June 2024, the Group has met the financial ratios required by the aforementioned 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 2023, except for those presented below.

a) Amendment to IFRS 16 “Leases”

The amendment to IFRS 16 “Leases” supplements the requirements for the subsequent measurement of the lease liability 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.

b) Amendments to IAS 1 “Presentation of Financial Statements”

The amendments to IAS 1 provide clarification on the presentation of liabilities as long- and short-term and also address the classification of liabilities when an entity is required to meet certain contractual requirements known as covenants. Consequently, 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, covenants in loan agreements that the entity does not have to comply with until after the balance sheet date) affect the classification.

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

Amendments to IAS 7 “Statement of Cash Flows” and IFRS 7 “Financial Instruments: Disclosures” introduce disclosure requirements for supplier finance arrangements (so-called reverse factoring). These amendments require specific disclosures for such agreements to enable users of financial statements to assess the impact of these agreements on liabilities and cash flows and the entity’s exposure to liquidity risk. These amendments are intended to increase the transparency of disclosures on debt financing arrangements, but do not affect the recognition and measurement principles.

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 2024.

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

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

a) IAS 21 “The Effects of Changes in FX Rates”

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

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

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

b) Changes in the classification and measurement of financial instruments – Amendments to IFRS 9 and IFRS 7.

- In May 2024, the IASB published amendments to IFRS 9 and IFRS 7 to:
- clarify the recognition and derecognition dates for certain financial assets and liabilities, with an exemption for certain financial liabilities settled through electronic funds transfer;
- clarify and add further guidance on assessing whether a financial asset meets the SPPI criteria;
- add new disclosures for certain instruments whose contractual terms may alter cash flows; and
- update disclosures on equity instruments measured at fair value through other comprehensive income (FVOCI).

The published amendments are effective for financial statements for periods beginning on or after 1 January 2026. As at date the of these financial statements, the modifications have not yet been approved by the European Union.

c) Annual Improvements to IFRSs

“Annual Improvements to IFRS” introduces changes to the standards: IFRS 1 “First-time Adoption of International Financial Reporting Standards”, IFRS 7 “Financial Instruments: Disclosures”, IFRS 9 “Financial Instruments”, IFRS 10 “Consolidated Financial Statements” and IAS 7 “Statement of Cash Flows”.
The amendments provide clarifications and clarify the standards’ guidance on recognition and measurement.
As at date the of these financial statements, the modifications have not yet been approved by the European Union.

d) IFRS 18 “Presentation and Disclosures in Financial Statements”
In April 2024, the Council published the new standard IFRS 18 “Presentation and Disclosures in Financial Statements”. The standard is intended to replace IAS 1 – Presentation of Financial Statements and will be effective from 1 January 2027. The changes to the superseded standard mainly concern three issues: the statement of profit or loss, required disclosures about performance measures and issues related to the aggregation and disaggregation of information contained in financial statements.
The published standard will be effective for financial statements for periods beginning on or after 1 January 2027. As at date the of these financial statements, the modifications have not yet been approved by the European Union.

e) IFRS 19 “Subsidiaries Without Public Accountability: Disclosure of Information”
In May 2024, the Board issued a new accounting standard, IFRS 19, which can be adopted by certain subsidiaries applying IFRS accounting standards to improve the effectiveness of disclosures in their financial statements. The new standard introduces simplified and limited disclosure requirements. As a result, the qualifying subsidiary applies the requirements of other IFRS accounting standards with the exception of the disclosure requirements and instead applies the limited disclosure requirements of IFRS 19.
Eligible subsidiaries are entities that are not subject to so-called public accountability as defined in the new standard. In addition, IFRS 19 requires the ultimate or intermediate parent of the entity to prepare publicly available consolidated financial statements in accordance with IFRS Accounting Standards.
Eligible entities may choose to apply the guidance of the new IFRS 19 for financial statements prepared for periods beginning on or after 1 January 2027.

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

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

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

g) 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.

a. Foreign currency translation

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

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

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

The following exchange rates were used for book valuation purposes:

	30 June 2024	31 December 2023
USD	4,0320	3,9350
EUR	4,3130	4,3480
SEK	0,3791	0,3919
DKK	0,5783	0,5833
NOK	0,3782	0,3867
GBP	5,0942	4,9997
CHF	4,4813	4,6828

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

	01.01 – 30.06.2024	01.01 – 30.06.2023
USD	3,9936	4,2828
EUR	4,3178	4,6280
SEK	0,3792	0,4087
DKK	0,5789	0,6215
NOK	0,3758	0,4099
GBP	5,0526	5,2797
CHF	4,4945	4,6955

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 production of paper and pulp.

The segment and includes the financial results of, among others, three paper mills:

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

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

- the Pulp Mill in Rottneros (Sweden) produces mainly two types of mechanical pulp: groundwood and chemo-thermo mechanical pulp (CTMP), production level of about 160,000 tonnes annually;
- 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. Production level of about 240,000 tonnes annually.

The Group identifies the following business segments:

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

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

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

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

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

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

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

The table below presents data concerning revenues and profit as well as certain assets and liabilities under continuing operations, split by segments of the Group for the period of 6 months ended on 30 June 2024 and as at 30 June 2024.

6-month period ended on 30 June 2024 and on 30 June 2024

	Paper	Pulp	Total	Exclusions	Total continuing operations
Revenues					
Sales to external customers	1 274 914	529 671	1 804 584	-	1 804 584
Sales between segments	-	830	830	(830)	-
Total segment revenues	1 274 914	530 501	1 805 414	(830)	1 804 584
Result of the segment					
EBITDA	158 446	31 865	190 311	(7 515)	182 796
Depreciation/amortisation	(36 921)	(19 812)	(56 733)	(202)	(56 935)
Profit/(loss) on operations	121 525	12 053	133 578	(7 717)	125 861
Interest income	1 614	758	2 372	733	3 105
Interest expense	(2 557)	(4 171)	(6 728)	1 041	(5 687)
FX gains and other financial income	-	6 067	6 067	-	6 067
FX losses and other financial expenses	(168 355)	-	(168 355)	169 349	994
Gross profit	(47 773)	14 708	(33 066)	163 406	130 340
Assets of the segment	1 827 287	985 500	2 812 787	(159 997)	2 652 790
Liabilities of the segment	752 885	287 468	1 040 353	(238 778)	801 575
Capital expenditures	(96 893)	(82 286)	(179 179)	(707)	(179 886)
Joint ventures	4 796	-	4 796	-	4 796

- Revenues from inter-segment transactions are eliminated on consolidation.
- Segment results do not include financial income (PLN 12,406 thousand of which PLN 3,105 thousand is interest income) and financial expenses (PLN 7,548 thousand of which PLN 5,687 thousand is interest expense), depreciation/amortisation (PLN 56,935 thousand) as well as income tax cost (PLN -24,619 thousand).
- Segment assets do not include deferred tax (PLN 2,059 thousand), as this item is managed at the Group level and interests in joint ventures (PLN 4,796 thousand). Segment liabilities do not include deferred tax (PLN 109,654 thousand), as this item is managed at the 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 June 2024 and as at 30 June 2024.

3-month period ended on 30 June 2024 and on 30 June 2024

	Paper	Pulp	Total	Exclusions	Total continuing operations
Revenues					
Sales to external customers	573 865	265 341	839 206	-	839 206
Sales between segments	-	(865)	(865)	865	-
Total segment revenues	573 865	264 476	838 341	865	839 206
-					
Result of the segment					
EBITDA	45 216	25 770	70 786	(180)	70 806
-					
Depreciation/amortisation	(17 756)	(10 736)	(28 492)	(109)	(28 601)
Profit/(loss) on operations	27 460	15 034	42 494	(289)	42 205
Interest income	761	(10)	751	334	1 085
Interest expense	(1 477)	(329)	(1 806)	557	(1 249)
FX losses and other financial expenses	(7 834)	(1 233)	(9 067)	(871)	(9 938)
Gross profit	18 910	13 462	32 372	(269)	32 103
Assets of the segment	1 827 287	985 500	2 812 786	(159 997)	2 652 790
Liabilities of the segment	752 885	287 468	1 040 353	(238 778)	801 575
Capital expenditures	(96 893)	(82 286)	(179 180)	(707)	(179 886)
Joint ventures	4 796	-	4 796	-	4 796

- Revenues from inter-segment transactions are eliminated on consolidation.
- Segment results do not include financial income (PLN 7,278 thousand of which PLN 1,085 thousand is interest income) and financial expenses (PLN 2,445 thousand of which PLN 1,249 thousand is interest expense), depreciation/amortisation (PLN 28,601 thousand) as well as income tax cost (PLN -7,953 thousand).
- Segment assets do not include deferred tax (PLN 2,059 thousand), as this item is managed at the Group level and interests in joint ventures (PLN 4,796 thousand). Segment liabilities do not include deferred tax (PLN 109,654 thousand), as this item is managed at the 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 6 months ended on 30 June 2023 and as at 30 June 2023.

6-month period ended on 30 June 2023 and on 30 June 2023

	Paper	Pulp	Total	Exclusions	Total continuing operations
Revenues					
Sales to external customers	1 288 952	579 507	1 868 459	-	1 868 459
Sales between segments	549	2 882	3 431	(3 431)	-
Total segment revenues	1 289 501	582 390	1 871 890	(3 431)	1 868 459
Result of the segment					
EBITDA	163 468	96 452	259 920	(5 453)	254 466
Depreciation/amortisation	(40 467)	(18 901)	(59 368)	(138)	(59 506)
Profit/(loss) on operations	123 000	77 551	200 551	(5 591)	194 960
Interest income	1 912	2 452	4 364	(50)	4 314
Interest expense	(2 264)	(2 043)	(4 308)	1 028	(3 280)
FX gains and other financial income	7 890	5 722	13 611	(2 715)	10 897
FX losses and other financial expenses	(637)	-	(637)	(431)	(1 068)
Gross profit	129 901	83 681	213 582	(7 760)	205 822
Assets of the segment	1 580 297	1 145 001	2 725 298	(134 563)	2 590 735
Liabilities of the segment	650 483	307 092	957 575	(208 776)	748 800
Capital expenditures	(48 015)	(20 995)	(69 010)	(564)	(69 574)
Joint ventures	4 025	-	4 025	-	4 025

— Revenues from inter-segment transactions are eliminated on consolidation.

— Segment results do not include financial income (PLN 15,211 thousand of which PLN 4,314 thousand is interest income) and financial expenses (PLN 4,348 thousand of which PLN 3,280 thousand is interest expense), depreciation/amortisation (PLN 59,506 thousand) as well as income tax cost (PLN -27,269 thousand).

— Segment assets do not include deferred tax (PLN 4,443 thousand), as this item is managed at the Group level and interests in joint ventures (PLN 4,025 thousand). Segment liabilities do not include deferred tax (PLN 126,401 thousand), as this item is managed at the 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 June 2023 and as at 30 June 2023.

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

	Paper	Pulp	Total	Exclusions	Total continuing operations
Revenues					
Sales to external customers	566 667	269 576	836 243	-	836 243
Sales between segments	267	(84)	183	(183)	-
Total segment revenues	566 934	269 492	836 426	(183)	836 243
Result of the segment					
EBITDA	50 084	21 171	71 255	(2,324)	68 932
Depreciation/amortisation	(20 135)	(9 386)	(29 522)	(86)	(29 608)
Profit/(loss) on operations	29 948	11 785	41 733	(2 410)	39 324
Interest income	1 147	1 190	2 337	(638)	1 699
Interest expense	(1 070)	(1 202)	(2 272)	1 639	(634)
FX gains and other financial income	6 851	5 722	12 573	(1,950)	10 623
FX losses and other financial expenses	(235)	1 262	1 027	(707)	320
Gross profit/(loss)	36 641	18 757	55 397	(4,066)	51 332
Assets of the segment	1 580 297	1 145 001	2 725 298	(134,563)	2 590 735
Liabilities of the segment	650 483	307 092	957 575	(208,776)	748 800
Capital expenditures	(26 499)	(10 563)	(37 062)	-	(37 062)
Joint ventures	4 025	-	4 025	-	4 025

- Revenues from inter-segment transactions are eliminated on consolidation.
- Segment results do not include financial income (PLN 12,322 thousand of which PLN 1,699 thousand is interest income) and financial expenses (PLN 314 thousand of which PLN 634 thousand is interest expense), depreciation/amortisation (PLN 29,608 thousand) as well as income tax cost (PLN -4,443 thousand).
- Segment assets do not include deferred tax (PLN 4,443 thousand), as this item is managed at the Group level and interests in joint ventures (PLN 4,025 thousand). Segment liabilities do not include deferred tax (PLN 126,401 thousand), as this item is managed at the Group level.

9. Income and costs

9.1. Revenues from contracts with customers

The table below shows the Group's revenue from paper and pulp sales from external customers by country and region for the period of 6 months ended 30 June 2024 and 30 June 2023:

Revenues from the sale of paper and pulp from external customers:	6-month period ended on 30 June 2024 (unaudited)	6-month period ended on 30 June 2023 (unaudited)
Germany	358 891	375 869
France	118 252	109 674
UK	153 179	165 295
Scandinavia	257 811	283 231
Western Europe (other countries)	250 612	268 573
Poland	222 292	213 012
Central and Eastern Europe (other than Poland)	255 131	243 664
Outside Europe	188 416	209 142
Total revenue	1 804 584	1 868 460

More information on revenues from paper and pulp sales is described in this Semi-annual report, under Management Report, Summary of Consolidated Financial Results.

9.2. Costs, other income, income tax

In H1 2024, the cost of sales amounted to PLN 1,445,805 thousand (in H1 2023: PLN 1,457,474 thousand) and decreased by PLN 11,669 thousand (-1%) mainly due to fixed production costs, which did not fall in proportion to the decrease in revenue from product sales.

In H1 2024, the selling and distribution costs amounted to PLN 179,378 thousand (in H1 2023: PLN 174,262 thousand) and increased by PLN 5,117 thousand (+3%) mainly due to a decrease in transport costs, which fell in proportion to the decrease in revenue from product sales.

In H1 2024, the administrative expenses amounted to PLN 60,003 thousand (in H1 2023: PLN 63,005 thousand) and decreased by PLN 3,003 thousand (-5%) mainly due to a decrease in the cost of consultancy services provided to the Group.

In H1 2024, the other operating income amounted to PLN 40,456 thousand (in H1 2023: PLN 49,666 thousand) and decreased by PLN 9,211 thousand (-19%).
In H1 2024, the other operating expenses amounted to PLN 34,371 thousand (in H1 2023: PLN 28,424 thousand) and increased by PLN 5,946 thousand (21%). The increase in other operating expenses is mainly due to the provision for the costs of reorganising the sales department and the write-down on receivables referred to in note 29.1.
A major part of the other operating income and expenses includes revenues and costs of sales of sold energy and other materials.
In H1 2024, the financial income amounted to PLN 12,406 thousand (in H1 2023: PLN 15,211 thousand) and decreased by PLN 2,804 thousand (-18%).
In H1 2024, the financial expenses amounted to PLN 7,548 thousand (in H1 2023: PLN 4,348 thousand) and increased by PLN 3,200 thousand (+74%).

The changes in financial income are mainly due to lower interest income from bank deposits and bank balances and positive exchange rate differences.

Income tax in H1 2024 amounted to PLN -24,619 thousand (in H1 2023 it amounted to PLN -27,269 thousand).
The current portion of income tax amounted to PLN -22,013 thousand in the half-year under review (H1 2023: PLN -28,991 thousand), while the deferred portion was PLN +2,607 thousand (H1 2023: PLN +1,722 thousand).

10. Cash and cash equivalents

For the purposes of the interim abbreviated consolidated cash flow statement, cash and cash equivalents include the following items:

	As at 30 June 2024 (unaudited)	As at 31 December 2023
Cash in bank and on hand	189 064	500 316
Short-term deposits	118 608	133
Cash in transit	-	-
Cash and cash equivalents in the consolidated balance sheet	307 672	500 449
Cash and cash equivalents in the consolidated cash flow statement	307 672	500 449

11. Dividend paid and proposed

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

In accordance with provisions of the Code of Commercial Partnerships and Companies, the parent entity is obliged to establish reserve capital to cover potential losses. At least 8% of the profit for the financial year disclosed in the standalone financial statements of the Company should be transferred to the category of capital until the capital has reached the amount of at least one third of the share capital of the Parent Entity. The use of reserve capital and reserve funds is decided by the General Meeting; however, a portion of the reserve capital equal to one-third of the share capital may only be used to cover the loss shown in the parent entity's separate financial statements and is not distributable for other purposes. At the date of this report, the Company had no preference shares.

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

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 2023, the Company paid a total dividend of PLN 187,077,014.10, i.e. PLN 2.70 gross per share.

On 29 May 2024, the Annual General Meeting of the Company, after reviewing the Management Board's proposal on dividend payment, decided to allocate a part of the Company's net profit for the financial year 2023, in the amount of PLN 69,287,783.00 (in words: sixty-nine million, two hundred and eighty-seven thousand, seven hundred and eighty-three zlotys 00/100) for the payment of dividends to the Company's shareholders. The dividend per share will be PLN 1.00 gross (in words: one zloty). The Company's Annual General Meeting determined 12 June 2024 as the ex-dividend date and 18 June 2024 as the dividend distribution date. The dividend was paid on time.

12. 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 June 2024 (unaudited)	6-month period ended on 30 June 2024 (unaudited)	3-month period ended on 30 June 2023 (unaudited)	6-month period ended on 30 June 2023 (unaudited)
Net profit/(loss) from continuing operations attributable to the shareholders of the Parent Entity	17 948	100 415	39 758	147 626
Net profit/(loss) attributable to the shareholders of the Parent Entity	17 948	100 415	39 758	147 626
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	0,26	1,45	0,57	2,13
Diluted profit/(loss) per share (in PLN)				
– from the profit/(loss) for the period attributable to the shareholders of the Parent Entity	0,26	1,45	0,57	2,13

13. Tangible fixed assets, intangible assets, goodwill and impairment

13.1. Tangible fixed assets, intangible assets and goodwill

The net value of tangible fixed assets as at 30 June 2024 amounted to PLN 1,262,338 thousand, including right-of-use assets of PLN 25,112 thousand. The net value of tangible fixed assets as at 31 December 2023 was PLN 1,166,171 thousand, including right-of-use assets of PLN 28,391 thousand.

A comparison of movements in tangible fixed assets (excluding assets to be used) for the first six months of 2024 with the corresponding period of 2023 is as follows: the value of tangible fixed assets acquired in the period under review amounted to PLN 172,389 thousand (for the six months ended 30 June 2023 it amounted to PLN 69,021 thousand). The net value of tangible fixed assets sold or disposed of for the period of 6 months ended 30 June 2024 amounted to PLN 2,843 thousand (for the period of 6 months ended 30 June 2023 it amounted to PLN 526 thousand). Depreciation and amortisation in the period of 6 months ended 30 June 2024 amounted to PLN 51,263 thousand (for the period of 6 months ended 30 June 2023 it amounted to PLN 54,532 thousand). The Group did not recognise or release any impairment allowance on tangible fixed assets in the period of 6 months of 2024 or in the equivalent period of the previous year. FX differences amounted to PLN -23,556 thousand for the period of 6 months ended 30 June 2024 (for the period of 6 months ended 30 June 2023 they amounted to PLN -76,065 thousand).

A comparison of movements on assets in use for the first six months of 2024 with the corresponding period of 2023 is as follows: increases for the 6 months ended 30 June 2024 amounted to PLN 1,684 thousand (for the 6 months ended 30 June 2023 amounted to PLN 4,186 thousand), depreciation charge for the 6 months ended 30 June 2024 amounted to PLN 3,097 thousand (for the 6 months ended 30 June 2023 amounted to PLN 4,866 thousand), decreases for the 6 months ended 30 June 2024 amounted to PLN 1,541 thousand (for the 6 months ended 30 June 2023 amounted to PLN 87 thousand), exchange differences for the 6 months ended 30 June 2024 amounted to PLN -326 thousand (for the 6 months ended 30 June 2023 amounted to PLN -1,734 thousand).

The net value of intangible assets at 30 June 2024 amounted to PLN 44,660 thousand (31 December 2023: PLN 50,080 thousand) The value of acquired intangible assets in the period under review amounted to PLN 3,264 thousand (for the period of 6 months ended 30 June 2023 it amounted to PLN 8,573 thousand). The net value of intangible assets sold or disposed of for the period of 6 months ended 30 June 2024 amounted to PLN 15,822 thousand (for the period of 6 months ended 30 June 2023 it amounted to PLN 18,202 thousand). The depreciation charge in the period of 6 months ended 30 June 2024 amounted to PLN 96 thousand (for the period of 6 months ended 30 June 2023 it amounted to PLN 108 thousand). The impairment allowance on intangible assets in the period of 6 months ended 30 June 2023 amounted to PLN 0 thousand (for the period of 6 months ended 30 June 2023 it amounted to PLN 0 thousand). Exchange differences for the period of 6 months ended 30 June 2024 amounted to PLN -1,171 thousand (for the period of 6 months ended 30 June 2023 they amounted to PLN -4,082 thousand).

Goodwill as at 30 June 2024 amounted to PLN 7,961 thousand (31 December 2023: PLN 7,913 thousand). The change in its value in H1 2024 was affected only by exchange rate differences of PLN -269 thousand (H1 2023: PLN 934 thousand).

Revenues from the sale of tangible fixed assets and intangible assets in H1 2024 amounted to PLN 799 thousand (H1 2023: PLN 213 thousand).

13.2. Impairment of non-financial assets

As at 30 June 2024, there were no indications of impairment testing at Arctic Paper Kostrzyn, Munkedals, Grycksbo and Rottneros for tangible fixed assets or intangible assets.

As at 31 December 2023 and in earlier periods, impairment tests were carried out at Arctic Paper Grycksbo in respect of tangible fixed assets and intangible assets.

The test as at 31 December 2023 did not result in a change in impairment allowances in respect of tangible fixed assets and intangible assets at Arctic Paper Grycksbo.

The total cumulative impairment allowance for Arctic Paper Grycksbo as at 30 June 2024 amounted to PLN 240,404 thousand (31 December 2023: PLN 248,521 thousand). The difference in the impairment allowance was due to the measurement of the impairment allowance from previous years denominated in SEK to the presentation currency – PLN.

The value of investments in subsidiaries has been assumed on the basis of historical cost less any impairment allowances on investments.

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

14. Other financial assets

	As at 30 June 2024 (unaudited)	As at 31 December 2023
Hedging instruments	9 388	46 629
Derivative instruments measured at fair value through profit and loss	7 582	7 838
Investments in equity instruments	14 150	14 500
Settlement of realised forward contracts	-	11 008
Receivables from pension fund	-	21 236
Total	**31 121**	**101 211**
- short-term	3 630	51 798
- long-term	27 491	49 414

The decrease in other financial assets was mainly due to a decrease in the positive valuation of derivatives, mainly energy forwards.

15. Inventories

	As at 30 June 2024 (unaudited)	As at 31 December 2023
Materials (at purchase prices)	215 886	187 943
Production in progress (at manufacturing costs)	9 232	8 428
Finished products, of which:		
At purchase price / manufacturing costs	271 756	247 760
At net realisable price	8 317	-
Advance payments for deliveries	149	800
Total inventories, at the lower of: purchase price / manufacturing costs or net realisable price	505 341	444 930
Impairment allowance to inventories	16 161	16 556
Total inventories before impairment allowance	521 502	461 487

The increase in the value of inventories at 30 June 2024 compared to the end of the previous year was primarily due to an increase in valuation caused by a higher pulp price.

16. Trade and other receivables

	As at 30 June 2024 (unaudited)	As at 31 December 2023
Trade receivables	423 676	365 415
VAT receivables	29 038	40 146
Other third party receivables	7 783	9 860
Other receivables from related entities	-	-
		-
Total (net) receivables	460 496	415 421
Impairment allowances to receivables	10 265	4 150
Gross receivables	470 761	419 572

The increase in trade receivables compared to the end of the previous year was primarily due to the increase in sales revenue in H1 2024.

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

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

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

The impairment allowance fully refers to receivables under contracts with customers. The decrease in the impairment allowance for receivables was mainly due to its utilisation and release in H1 2024.

Below is an analysis of trade receivables that as at 30 June 2024 and 31 December 2023 were overdue but not treated as uncollectible:

	Total	Not overdue	Overdue but collectible				
			< 30 days	30-60 days	60-90 days	90-120 days	>120 days
As at 30 June 2024	423 676	382 005	36 979	2 192	132	97	2 270
As at 31 December 2023	365 415	322 217	39 940	1 047	48	122	2 042

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

The maturities of other receivables from third parties do not exceed 360 days.

The Group presents sales discounts per balance with receivables. The reason for this presentation is that they are mostly offset against trade receivables from individual customers. The amounts of rebates granted by individual companies amounted to just under PLN 42 million in 2024.

17. Other non-financial assets

	As at 30 June 2024 (unaudited)	As at 31 December 2023
Insurance costs	2 673	573
Lease fees	375	131
Advance payments for services	7 319	8 488
Rent	440	1 521
Other	5 457	1 612
Total	**16 264**	**12 325**
- short-term	16 100	12 048
- long-term	165	277

18. Interest-bearing loans

In the period covered by this report, the Group made a partial repayment of the term loan under the loan agreement concluded on 2 April 2021 with a syndicate of banks in the amount of PLN 14,347 thousand and made a partial repayment of the loan with Nordea Bank in the amount of PLN 2,275 thousand and with Danske Bank in the amount of PLN 6,778 thousand.

The other changes to loans, borrowings and bonds as at 30 June 2024, compared to 31 December 2023 result mainly from balance sheet evaluation and payment of interest accrued as at 31 December 2023 and paid in H1 2024.

19. Trade and other payables

The value of trade and other payables as at 30 June 2024 amounted to PLN 465,172 thousand (as at 31 December 2023: PLN 447,917 thousand). The increase in this item compared to the previous year-end was influenced by higher pulp prices in H1 2024.

20. Employee liabilities

	As at 30 June 2024 (unaudited)	As at 31 December 2023 -
Provision for pensions and similar benefits	37 257	42 694
Payable to employees as salaries	3 756	18 202
Personal Income Tax	3 397	5 045
Tax on repaid provision for pensions and similar benefits	-	5 523
Social benefit liabilities	16 332	24 064
Unused leave	45 709	38 592
Bonuses	4 991	10 433
Other employee liabilities	11 578	2 111
TOTAL	**123 019**	**146 664**
- short-term	103 111	105 525
- long-term	19 908	41 139

21. Deferred income tax – provision

	Consolidated balance sheet As at		Consolidated income statement for the year ended	
	30 June 2024	31 December 2023	30 June 2024	31 December 2023
Deferred income tax liability				
Fixed assets	78 735	122 996	54 323	(7 635)
Trade receivables	-	-	-	-
Employment benefits	31 003	-	-	-
Hedging instruments	(83)	9 979	-	68 295
			-	-
Gross deferred income tax provision	**109 654**	**132 975**	**54 323**	**60 659**

	Consolidated balance sheet As at		Consolidated income statement for the year ended	
	30 June 2024	31 December 2023	30 June 2024	31 December 2023
Deferred income tax asset				
Post-employment payments	1 298	8 539	(7 241)	6 023
Uninvoiced liabilities	-	3 566	(3 566)	(7 071)
Inventories	-	1 322	(1 322)	423
Trade receivables	-	1 523	(1 523)	(5 505)
Fixed assets	761	-	-	-
AGross deferred income tax asset	**2 059**	**14 949**	**(13 651)**	**(6 130)**

Net deferred income tax asset/provision of which: w tym:	30 June 2024	31 December 2023
- Deferred income tax asset	2 059	14 949
- Deferred income tax liability	109 654	132 975

22. Share capital

As at 30 June 2024, there were no changes in share capital compared to 31 December 2023.

23. Financial instruments

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

At 30 June 2024, the Company held the following financial instruments: cash on hand and in bank accounts, loans, receivables, payables, including leases, and interest SWAP contracts, forward power purchase contracts and forward pulp sale contracts.

23.1. Fair value of each class of financial instruments

The table below presents the selected financial instruments held by the Group by carrying amount and split into individual assets and liabilities.

	Category in compliance with IFRS 9	Carrying amount As at 30 June 2024	Carrying amount As at 31 December 2023	Fair value As at 30 June 2024	Fair value As at 31 December 2023
Financial assets					
Trade and other receivables	*WwZK*	431 459	375 276	***	***
Hedging instruments*	*IRZ*	9 388	46 629	***	***
Derivative instruments measured at fair value through profit and loss	*WwWGpWF*	7 582	7 838	***	***
Receivables from the pension fund	*WwZK*	71	21 236	***	***
Settlement of realised forward contracts	*WwZK*	-	11 008	***	***
Other financial assets **	*WwWGpWF*	14 150	14 501	***	***
Cash and cash equivalents	*WwZK*	307 672	500 449	***	***
Financial liabilities					
Loans	*WwZK*	118 375	123 173	126 986	126 986
Leasing liabilities, of which:	*WwZK*	25 083	28 742	***	***
- long-term		21 214	24 022	***	***
- short-term		3 870	4 720	***	***
Liabilities from deliveries and services, for the purchase of tangible fixed assets and intangible assets and other financial liabilities	*WwZK*	398 116	430 244	***	***
Trade payables, for the purchase of tangible and intangible assets	*IRZ*	19 474	865	***	***
edging instruments*	*WwZK*	525	-	***	***

* derivative hedging instruments meeting the requirements of hedge accounting

** primarily investments in equity instruments

Abbreviations used:

WwZK – Financial assets/liabilities measured at amortised cost

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

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

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

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

As at 30 June 2024 and 31 December 2024, financial instruments according to the valuation hierarchy qualify as Level 3 except for derivatives (Level 2).

24. Other financial liabilities

	As at 30 June 2024 (unaudited)	As at 31 December 2023
Leasing liabilities	25 083	28 742
Hedging instruments	20 754	-
Other	1 330	1 025
Total	**47 168**	**29 767**
- short-term	13 379	4 880
- long-term	33 789	24 887

25. Contingent liabilities and contingent assets

As at 30 June 2024, 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 165 thousand);
— a bank guarantee in favour of Skatteverket Ludvika for SEK 135 thousand (PLN 51 thousand);

26. Legal claims

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

27. Tax settlements

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

Tax settlements and other areas of operations (for instance customs or FX issues) may be inspected by the authorities that are entitled to impose high penalties and fines as well additional tax liabilities resulting from inspections that have to be paid along with high interest.

As a result, tax risk in Poland is higher than in countries with more mature tax systems.

Tax settlements may be subject to inspections for five years from the end of the year in which the tax was paid. As a result of inspections, the tax liability of the Group may be increased by additional tax liability. In the opinion of the Group, there is no need to establish additional provisions for any identified and quantifiable tax risk as at 30 June 2024.

On 15 July 2016, the Tax Code was amended to incorporate the provisions of the General Anti-Avoidance Rule (GAAR). GAAR is to prevent the development and use of artificial legal structures to avoid tax payments in Poland. GAAR defines tax avoidance as an activity pursued primarily to accomplish tax benefits that under the circumstances would be contradictory to the subject and purpose of the tax regulations. In accordance with GAAR, such activity would not generate tax benefits if the mode of operation was artificial. Any occurrence of (i) unjustified split to operations, (ii) involvement of intermediaries despite no economic justification, (iii) mutually exclusive of compensating elements, and (iv) other similar activities, may be treated as a premise to the existence of artificial activities subject to GAAR. The new regulations require more accurate judgements in the assessment of tax effects of each transaction.

28. Future contractual investment commitments

Future contractual commitments to purchase tangible fixed assets concluded until 30 June 2024 and not required to be recognised in the consolidated statement of financial position at that date amounted to PLN 111,308 thousand.

29. Transactions with related entities

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

- Thomas Onstad – the corer shareholder of Arctic Paper S.A. holding directly or indirectly over 50% of shares in the Company's share capital.
- Nemus Holding AB – parent entity to the Arctic Paper S.A. Group since 3 September 2014.
- Munkedal Skog – a subsidiary of Nemus Holding AB,
- Key management personnel.

Transactions with related entities are carried out at arm's length.

The table below presents the total amount of transactions concluded with related entities within the period of 6 months ended on 30 June 2024 and as at 30 June 2023:

Data for the period from 01 January 2023 to 30 June 2024 and as at 30 June 2024

Related entity	Sales to related entities	Purchases from related entities/remuneration	Interest – financial income	Interest – financial expense	Receivables from related entities	Loan receivables	Liabilities to related entities
Nemus Holding AB	199	33	-	-	-	-	7
Thomas Onstad	-	-	-	-	-	-	-
Munkedals Skog	-	75	-	-	-	-	-
Key management personnel	-	3 802	-	-	-	-	136
Total	199	3 910	-	-	-	-	143

30. Material events after the end of the reporting period

After 30 June 2024, the Group became aware of financial problems of one of its clients and an application for protection from creditors filed by this entity. Most of the receivables from this entity are secured by receivables insurance and a pledge in kind. The Group made a write-off on receivables in the amount of PLN 6,500 thousand due to the fact that the recovery of this amount may be long-term and problematic.

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	8 August 2024	signed with a qualified electronic signature
Member of the Management Board Chief Financial Officer	Katarzyna Wojtkowiak	8 August 2024	signed with a qualified electronic signature
Member of the Management Board Vice-President for Sales and Marketing	Fabian Langenskiöld	8 August 2024	signed with a qualified electronic signature

Interim abbreviated standalone financial statements

for the period of 6 months
ended on 30 June 2024

Interim abbreviated standalone financial statements

Interim abbreviated standalone profit and loss statement

	Note	3-month period ended on 30 June 2024 (unaudited)	6-month period ended on 30 June 2024 (unaudited)	3-month period ended on 30 June 2023 (unaudited)	6-month period ended on 30 June 2023 (unaudited)
Continuing operations					
Sales revenues		2 812	6 733	3 514	7 124
Interest on loans	11.1	534	1 035	635	1 185
Dividend income	14	90 870	105 597	177 662	179 235
Sales revenues		94 216	113 365	181 811	187 544
Interest expense for related entities and costs of sales of logistics services		(2 648)	(5 412)	(2 063)	(4 853)
Profit/(loss) on sales		91 568	107 953	179 748	182 691
Other operating income		11	13	47	47
Administrative expenses	11.2	(4 371)	(11 098)	(4 998)	(6 351)
Impairment allowances on assets	11.4	-	-	(818)	(1,289)
Other operating expenses	11.3	42	(46)	1 640	(26)
Profit/(loss) on operations		87 250	96 822	175 618	175 072
Financial income		1 845	3 638	854	2 870
Financial expenses		(2 178)	(3 570)	(2 072)	(4 405)
Gross profit/(loss)		86 917	96 890	174 400	173 537
Income tax		1 534	2 141	1 817	1 968
Net profit/(loss) for the reporting period		88 451	99 031	176 218	175 505
Earnings per share:					
– basic earnings from the profit/(loss) for the period		1,28	1,43	2,52	2,53
– basic earnings from the profit/(loss) from continuing operations for the period		1,28	1,43	2,52	2,52

Interim abbreviated standalone statement of comprehensive income

	Note	3-month period ended on 30 June 2024 (unaudited)	6-month period ended on 30 June 2024 (unaudited)	3-month period ended on 30 June 2023 (unaudited)	6-month period ended on 30 June 2023 (unaudited)
Net profit/(loss) for the reporting period		88 451	99 031	176 218	175 505
Items to be reclassified to profit/(loss) in future reporting periods:					
Measurement of financial instruments		(621)	(888)	(2 496)	(3 808)
Deferred income tax on the measurement of financial instruments		169	169	1 450	1 450
FX differences on translation of foreign operations		(152)	296	883	1 023
Other net comprehensive income		(604)	(423)	(162)	(1 335)
Total comprehensive income		87 847	98 608	176 056	174 170

Interim abbreviated standalone statement of financial position

	Note	As at 30 June 2024 (unaudited)	As at 31 December 2023
ASSETS			
Fixed assets			
Tangible fixed assets	17	1 538	1 026
Intangible assets	17	1 325	1 331
Shares in subsidiaries and joint ventures	12	960 977	960 977
Other financial assets	18	30 807	25 356
Deferred income tax		1 283	1 283
		995 929	989 972
Current assets			
Trade and other receivables	16	14 572	15 935
Income tax receivables		4 219	2 192
Other financial assets	18	8 280	7 519
Other non-financial assets		10 805	7 916
Cash and cash equivalents	13	167 309	264 150
		205 185	297 712
TOTAL ASSETS		1 201 115	1 287 686
EQUITY AND LIABILITIES			
Equity			
Share capital	21.1 10.2	69 288	69 288
Reserve capital	21.4	625 736	443 808
Other reserves	21.5	137 578	138 298
FX differences on translation	21.3	2 434	2 138
Retained earnings/Accumulated losses	21.6	32 259	184 444
Total equity		867 295	837 975
Long-term liabilities			
Interest-bearing loans, borrowings and bonds	19	27 714	42 080
Other long-term liabilities		3	17
Deferred income tax liability		2 401	2 570
		30 118	44 668
Short-term liabilities			
Interest-bearing loans, borrowings and bonds	19	277 959	380 057
Trade and other payables		21 448	18 939
Other financial liabilities		30	38
Other short-term liabilities		1 783	1 488
Employee liabilities		2 486	2 960
Income tax liability		-	1 561
		303 706	405 043
TOTAL LIABILITIES		333 824	449 710
TOTAL EQUITY AND LIABILITIES		1 201 115	1 287 686

Interim abbreviated standalone cash flow statement

	Note	6-month period ended on 30 June 2024 (unaudited)	6-month period ended on 30 June 2023 (unaudited restated)
Cash flows from operating activities			
Gross profit/(loss)		96 890	173 537
Adjustments for:			
Depreciation/amortisation		202	138
FX gains/(loss)		982	(2 377)
Net interest and dividends		520	3 921
Profit / loss from investing activities		-	(564)
Change in receivables and other non-financial assets		(1 526)	(959)
Change in liabilities excluding loans and borrowings and other financial liabilities		2 323	(2 087)
Change in accruals and prepayments		-	(2 836)
Income tax		(1 448)	(798)
Change in cash-pooling liabilities		(100 942)	(91 505)
Change in loans granted to subsidiaries		(7 129)	6 506
Interest received on loans granted and cash-pooling		824	-
Interest paid as part of cash-pooling		(1 350)	
Other		-	582
Net cash flows from operating activities		(10 656)	83 558
Cash flows from investing activities			
Purchase of tangible fixed assets and intangible assets		(707)	-
Increase of interests in subsidiaries		-	(4 782)
Net cash flows from investing activities		(707)	(4 782)
Cash flows from financing activities			
Repayment of leasing liabilities		(14)	(32)
Repayment of borrowing liabilities		(14 347)	(14 747)
Dividend received		-	2 129
Interest paid		(764)	(3 419)
Dividend paid		(69 288)	(187 077)
Net cash flows from financing activities		(84 413)	(203 147)
Cash at the beginning of the period		264 150	213 272
Change in cash and cash equivalents		(95 776)	(124 370)
Net FX differences		(1 063)	-
Cash at the end of the period	13	167 309	88 902

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 capital	Retained earnings/Accumulated losses	Total equity
As at 01 January 2024	69 288	443 808	2 138	138 298	184 444	837 975
Net profit/(loss) for the period	-	-	-	-	99 031	99 031
Other net comprehensive income for the period	-	-	296	(720)	-	(423)
Total comprehensive income for the period	-	-	296	(720)	99 031	98 608
Financial profit distribution	-	181 928	-	-	(181 928)	-
Dividend distribution	-		-	-	(69 288)	(69 288)
						-
As at 30 June 2024 (unaudited)	69 288	625 736	2 434	137 578	32 259	867 295

	Attributable to the shareholders of the Parent Entity					
	Share capital	Reserve capital	FX differences on translation of foreign operations	Other reserves	Retained earnings/Accumulated losses	Total equity
As at 01 January 2023	69 288	427 502	1 463	106 725	171 993	776 969
Net profit for the period	-	-	-	-	175 505	175 505
Other net comprehensive income for the period	-	-	1 023	(2 358)	-	(1 335)
Total comprehensive income for the period	-	-	1 023	(2 358)	175 505	174 170
Dividend distribution	-	35 829	-	-	(222 906)	(187 077)
As at 30 June 2023 (unaudited)	69 288	463 331	2 486	104 367	124 592	764 063

Additional notes to the interim abbreviated standalone financial statements
provided on pages 66 to 79 constitute an integral part hereof

Additional explanatory notes

1. General information

Arctic Paper S.A. ("Company", "Entity") is a joint stock company established with Notary deed on 30 April 2008 with its stock publicly listed.

The Company's registered office is located in Kostrzyn, at ul. Fabryczna 1. The Company also has a foreign branch in Göteborg, Sweden.

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

The duration of the Company is indefinite.

Nemus Holding AB is the direct Parent Entity to the Company, it is also the ulitimate entity that prepares the concolidated financial statement. The ultimate owner of the entire Arctic Paper Group is Mr Thomas Onstad.

Holding operations is the core business of the Company.

The interim abbreviated standalone financial statements of the Company with respect to the interim abbreviated standalone profit and loss account, statement of comprehensive income, cash flow statement and statement of changes to equity, cover the period of 6 months ended on 30 June 2024 and contain comparable data for the period of 6 months ended on 30 June 2023; and in the interim abbreviated standalone statement of financial condition, it presents data as at 30 June 2024 and as at 31 December 2023.

The interim abbreviated standalone statement of comprehensive income, the interim abbreviated standalone statement of profit and loss include data for the three months ended 30 June 2024 and comparative data for the three months ended 30 June 2023.

2. Basis of preparation of the interim abbreviated financial statements

These interim abbreviated standalone financial statements have been prepared in compliance with International Accounting Standard No. 34.

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

The interim abbreviated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended on 31 December 2023.

3. Identification of the consolidated financial statements

The Company made its interim abbreviated consolidated financial statements for the period of 6 months ended on 30 June 2024 which were approved for publication by the Management Board on 08 August 2024.

4. Composition of the Company's Management Board

As at 30 June 2024, the Parent Entity's Management Board was composed of:

— Michał Jarczyński – President of the Management Board appointed on 10 December 2018, with effect from 1 February 2019;

— Katarzyna Wojtkowiak – Member of the Management Board appointed on 29 May 2023;

— Fabian Langenskiöld – Member of the Management Board appointed on 14 August 2023.

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

5. Composition of the Company's Supervisory Board

As at 30 June 2024, the Company's Supervisory Board was composed of:

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

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

6. Approval of the interim abbreviated standalone financial statements

On 8 August 2024, these interim abbreviated standalone financial statements of the Company for the 6-month period ended on 30 June 2024 were approved for publication by the Management Board.

7. Investments by the Company

The Company holds interests in the following subsidiaries and joint ventures:

Unit	Registered office	Business activity	Company's interest in the equity of the subsidiaries		
			8 August 2024	30 June 2024	31 December 2023
Arctic Paper Kostrzyn S.A.	Poland, Fabryczna 1, 66-470 Kostrzyn nad Odrą	Paper production	100%	100%	100%
Arctic Paper Munkedals AB	Sweden, SE 455 81 Munkedal	Paper production	100%	100%	100%
Arctic Paper Investment AB	Sweden, Box 383, 401 26 Göteborg	Holding activities	100%	100%	100%
Arctic Paper UK Limited	United Kingdom, 8 St Thomas Street SE1 9RR London	Trading company	100%	100%	100%
Arctic Paper Baltic States SIA	Latvia, K. Valdemara iela 33-20, Riga LV-1010	Trading company	100%	100%	100%
Arctic Paper Deutschland GmbH	Germany, Am Sandtorkai 72, 20457 Hamburg	Trading company	100%	100%	100%
Arctic Paper Benelux S.A.	Belgium, Interleuvenlaan 62 bus 14, B-3001 Heverlee	Trading company	100%	100%	100%
Arctic Paper Schweiz AG	Switzerland, Gutenbergstrasse 1, CH-4552 Derendingen	Trading company	100%	100%	100%
Arctic Paper Italia srl	Italy, Via Chiaravalle 7, 20 122 Milan	Trading company	100%	100%	100%
Arctic Paper Danmark A/S	Denmark, Korskildelund 6 DK-2670 Greve	Trading company	100%	100%	100%
Arctic Paper France SAS	France, 30 rue du Chateau des Rentiers, 75013 Paris	Trading company	100%	100%	100%
Arctic Paper Espana SL	Spain, Avenida Diagonal 472-474, 9-1 Barcelona	Trading company	100%	100%	100%
Arctic Paper Papierhandels GmbH	Austria, Hainborgerstrasse 34A, A-1030 Wien	Trading company	100%	100%	100%
Arctic Paper Polska Sp. z o.o.	Poland, Okrężna 9, 02-916 Warszawa	Trading company	100%	100%	100%
Arctic Paper Norge AS	Norway, Eikenga 11-15, NO-0579 Oslo	Trading company	100%	100%	100%
Arctic Paper Sverige AB	Sweden, SE 455 81 Munkedal	Trading company	100%	100%	100%
Arctic Power Sp. z o.o. (formerly Arctic Paper East Sp. z o.o.)	Poland, Fabryczna 1, 66-470 Kostrzyn nad Odrą	Energy projects	100%	100%	100%
Arctic Paper Investment GmbH	Germany, Am Sandtorkai 72, D-20457 Hamburg	Holding activities	100%	100%	100%
Kostrzyn Packaging Spółka z o.o.	Poland, Fabryczna 1, 66-470 Kostrzyn nad Odrą	Production of packaging	50%	50%	50%
Rottneros AB	Sweden, Box 144 826 23 Söderhamn	Activities of holding companies	51.27%	51.27%	51.27%

As at 30 June 2024 and as at 31 December 2023, the share in the overall number of votes held by the Company in its subsidiaries was equal to the share of the Company in the share capital of those entities.

8. Significant accounting principles (policies)

The accounting principles (policies) applied to prepare the interim abbreviated financial statements are compliant with those applied to the annual consolidated financial statements of the Group for the year ended on 31 December 2023, except for those presented below.

a) Amendment to IFRS 16 “Leases”

The amendment to IFRS 16 “Leases” supplements the requirements for the subsequent measurement of the lease liability 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.

b) Amendments to IAS 1 “Presentation of Financial Statements”

The amendments to IAS 1 provide clarification on the presentation of liabilities as long- and short-term and also address the classification of liabilities when an entity is required to meet certain contractual requirements known as covenants. Consequently, 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, covenants in loan agreements that the entity does not have to comply with until after the balance sheet date) affect the classification.

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

Amendments to IAS 7 “Statement of Cash Flows” and IFRS 7 “Financial Instruments: Disclosures” introduce disclosure requirements for supplier finance arrangements (so-called reverse factoring). These amendments require specific disclosures for such agreements to enable users of financial statements to assess the impact of these agreements on liabilities and cash flows and the entity’s exposure to liquidity risk. These amendments are intended to increase the transparency of disclosures on debt financing arrangements, but do not affect the recognition and measurement principles.

The Company has not earlier adopted any other standard, interpretation or amendment that was issued but is not yet effective.

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

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

a) IAS 21 “The Effects of Changes in FX Rates”

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

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

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

b) Changes in the classification and measurement of financial instruments – Amendments to IFRS 9 and IFRS 7.

- In May 2024, the IASB published amendments to IFRS 9 and IFRS 7 to:
- clarify the recognition and derecognition dates for certain financial assets and liabilities, with an exemption for certain financial liabilities settled through electronic funds transfer;
- clarify and add further guidance on assessing whether a financial asset meets the SPPI criteria;
- add new disclosures for certain instruments whose contractual terms may alter cash flows; and
- update disclosures on equity instruments measured at fair value through other comprehensive income (FVOCI).

The published amendments are effective for financial statements for periods beginning on or after 1 January 2026. As at date the of these financial statements, the modifications have not yet been approved by the European Union.
c) Annual Improvements to IFRSs
“Annual Improvements to IFRS” introduces changes to the standards: IFRS 1 “First-time Adoption of International Financial Reporting Standards”, IFRS 7 “Financial Instruments: Disclosures”, IFRS 9 “Financial Instruments”, IFRS 10 “Consolidated Financial Statements” and IAS 7 “Statement of Cash Flows”.

The amendments provide clarifications and clarify the standards' guidance on recognition and measurement.
As at date the of these financial statements, the modifications have not yet been approved by the European Union.

d) IFRS 18 "Presentation and Disclosures in Financial Statements"
In April 2024, the Council published the new standard IFRS 18 "Presentation and Disclosures in Financial Statements". The standard is intended to replace IAS 1 – Presentation of Financial Statements and will be effective from 1 January 2027. The changes to the superseded standard mainly concern three issues: the statement of profit or loss, required disclosures about performance measures and issues related to the aggregation and disaggregation of information contained in financial statements.
The published standard will be effective for financial statements for periods beginning on or after 1 January 2027. As at date the of these financial statements, the modifications have not yet been approved by the European Union.

e) IFRS 19 "Subsidiaries Without Public Accountability: Disclosure of Information"
In May 2024, the Board issued a new accounting standard, IFRS 19, which can be adopted by certain subsidiaries applying IFRS accounting standards to improve the effectiveness of disclosures in their financial statements. The new standard introduces simplified and limited disclosure requirements. As a result, the qualifying subsidiary applies the requirements of other IFRS accounting standards with the exception of the disclosure requirements and instead applies the limited disclosure requirements of IFRS 19.
Eligible subsidiaries are entities that are not subject to so-called public accountability as defined in the new standard. In addition, IFRS 19 requires the ultimate or intermediate parent of the entity to prepare publicly available consolidated financial statements in accordance with IFRS Accounting Standards.
Eligible entities may choose to apply the guidance of the new IFRS 19 for financial statements prepared for periods beginning on or after 1 January 2027.

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

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

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

g) 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.

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

9. Seasonality

The Company's activities, particularly with regard to dividends from associated companies, are seasonal in nature, with the majority of dividends being paid in the first and second quarters of the calendar year. For this reason, the Company's reported results show significant fluctuations during these periods of the year.

10. Information on business segments

Arctic Paper S.A. is a holding company, providing services mostly to the Group companies. The Company operates in one segment, the results are assessed by the Management Board on the basis of financial statements.

The table below presents revenues from services sales, interest income on loans and dividend income for the 6-month period ended on 30 June 2024 and as at 30 June 2023 in geographical presentation.

The geographical split of revenues relies on the location of registered offices of the subsidiaries of Arctic Paper S.A.

	Continuing operations	
	6-month period ended on 30 June 2024 (unaudited)	6-month period ended on 30 June 2023 (unaudited)
Geographical information		
Poland	92 899	135 522
Foreign countries, of which:		
- Sweden	20 466	50 448
- Other	-	1 573
Total	**113 365**	**187 544**

11. Income and costs

11.1. Interest income and expense

Interest income covers interest income on loans granted to other companies in the Group. Interest expense covers interest income on loans received from other companies in the Group and from banks. Interest expense covers interest income on loans received from Group companies and is disclosed as costs of sales.

11.2. Administrative expenses

The administrative expenses include costs of the administration of the Company operation, costs of services provided for the companies in the Group and all costs incurred by the Company for the purposes of pursuing holding company activities. In H1 2024, these costs amounted to PLN 11,098 thousand (in H1 2023: PLN 6,351 thousand). The increase of the administrative expenses is due to higher costs of services provided to the Company by external entities.

11.3. Change in impairment allowances on assets

There was no change in H1 2024 due to the write-down of loans receivables and other Company's assets.

12. Investments in subsidiaries and joint ventures

The value of investments in subsidiaries and joint ventures as at 30 June 2024 and as at 31 December 2023 was as follows:

	As at 30 June 2024 (unaudited)	As at 31 December 2023
Arctic Paper Kostrzyn S.A.	442 535	442 535
Arctic Paper Munkedals AB	88 175	88 175
Rottneros AB	101 616	101 616
Arctic Paper Investment AB, of which:	285 792	285 792
Arctic Paper Investment AB (shares)	*307 858*	*307 858*
Arctic Paper Investment AB (loans)	*82 709*	*82 709*
Arctic Paper Investment AB (impairment allowance)	*(104 775)*	*(104 775)*
Arctic Paper Investment GmbH	-	-
Arctic Paper Investment GmbH (shares)	*120 031*	*120 031*
Arctic Paper Investment GmbH (impairment allowance)	*(120 031)*	*(120 031)*
Arctic Paper Sverige AB	2 936	2 936
Arctic Paper Sverige AB (shares)	*11 721*	*11 721*
Arctic Paper Sverige AB (impairment allowance)	*(8 785)*	*(8 785)*
Arctic Paper Danmark A/S	2 947	2 947
Arctic Paper Danmark A/S (shares)	5 539	5 539
Arctic Paper Danmark A/S ((impairment allowance)	*(2 592)*	*(2 592)*
Arctic Paper Deutschland GmbH	4 977	4 977
Arctic Paper Norge AS	516	516
Arctic Paper Norge AS (shares)	*3 194*	*3 194*
Arctic Paper Norge AS (impairment allowance)	*(2 678)*	*(2 678)*
Arctic Paper Italy srl	738	738
Arctic Paper UK Ltd.	522	522
Arctic Paper Polska Sp. z o.o.	406	406
Arctic Paper Benelux S.A.	387	387
Arctic Paper France SAS	326	326
Arctic Paper Espana SL	196	196
Arctic Paper Papierhandels GmbH	194	194
Arctic Paper Power Sp. z o.o. (formerly Arctic Paper East Sp. z o.o.)	2 602	2 602
Arctic Paper Baltic States SIA	64	64
Arctic Paper Schweiz AG	61	61
Kostrzyn Packaging Spółka z o.o.	25 990	25 990
Total	**960 980**	**960 980**

The value of investments in subsidiaries was disclosed on the basis of historic costs.

12.1. Impairment of assets in subsidiaries and joint ventures

As at 30 June 2024, there were no grounds to conduct impairment tests in respect of shares in subsidiaries and joint ventures. The grounds were in paricular analysed for Arctic Paper Kostrzyn, Munkedals, Grycksbo (directly and exclusively controlled by Arctic Paper Investment AB, in which the Parent Entity holds 100% of shares) and Rottneros AB.

As at 31 December 2023, the Company carried out an impairment test for shares in Arctic Paper Grycksbo AB (whose 100% shares are held by Arctic Paper Investment AB, a direct subsidiary of Arctic Paper S.A.) using the discounted cash flow method in relation to the value of investments in these companies.

The test as at 31 December 2023 resulted in a partial reversal of impairment allowances on the shareholding in Arctic Paper Investment AB recognised in previous years amounting to PLN 80,208 thousand.

13. Cash and cash equivalents

For the purposes of the interim abbreviated standalone statement of cash flow, cash and cash equivalents include the following items:

	As at 30 June 2024 (unaudited)	As at 30 June 2023 (unaudited)
Cash in bank and on hand	48 701	88 902
Short-term deposits (available upon request)	118 608	-
Total	**167 309**	**88 902**

14. Dividend paid and proposed

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

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

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

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

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 2023, the Company paid a total dividend of PLN 187,077,014.10, i.e. PLN 2.70 gross per share.

On 29 May 2024, the Annual General Meeting of the Company, after reviewing the Management Board's proposal on dividend payment, decided to allocate a part of the Company's net profit for the financial year 2023, in the amount of PLN 69,287,783.00 (in words: sixty-nine million, two hundred and eighty-seven thousand, seven hundred and eighty-three zlotys 00/100) for dividend payment among the Company's shareholders. The dividend per share amounted to a gross dividend of PLN 1.00 (in words: one zloty 00/100). The Annual General Meeting of the Company set the dividend date as 12 June 2024. The dividend was paid on 18 June 2024.

15. Dividends received

The dividend income disclosed in the comprehensive financial statement contains the dividend income received from:

- Arctic Paper Kostrzyn S.A. in the amount of PLN 90,870 thousand,
- Rottneros AB in the amount of PLN 14,727 thousand.

16. Trade and other receivables

Trade and other receivables disclosed as at 30 June 2024 dropped by PLN 1,362 thousand versus 31 December 2023.

17. Tangible fixed assets and intangible assets

17.1. Purchases and disposal

In the period of 6 months ended 30 June 2024, the company acquired fixed assets (tangible fixed assets) in the amount of PLN 463 thousand and fixed assets under construction of PLN 244 thousand In the period ended 30 June 2023, the company acquired fixed assets in the amount of PLN 564 thousand. In the period under review, the depreciation charge amounted to PLN 2024 thousand (for the period of 6 months of 2023: PLN 137 thousand).

17.2. Impairment allowances

In the current period and in the equivalent period of the previous year the Company did not recognise or reverse any impairment allowances to fixed assets.

18. Other financial assets

Other financial assets comprise loans granted to subsidiaries, together with accrued interest, as well as fixed assets relating to employee benefits receivable from the Company's foreign branch.

According to the agreement, Arctic Paper Grycksbo AB repaid the loan in the amount of PLN 3,842 thousand (EUR 840 thousand).On the other hand, the increase in financial receivables was significantly influenced by the granting of a loan to Kostrzyn Packaging Sp. z o.o. in the amount of PLN 9,900 thousand.

19. Interest-bearing loans, borrowings and bonds

In accordance with the loan agreement, in H1 2024 the Company repaid principal instalments and paid interest of PLN 15,5 million. Other changes in the value of loans and borrowings are due, among other things, to a decrease in group cash-pool liabilities (PLN -100.9 million).

20. Tax liabilities

As of 1 January 2022, Arctic Paper SA and Arctic Paper Kostrzyn SA have formed a Tax Group and jointly account for corporate income tax. In accordance with the decision of the Management Board, the Issuer is a direct tax settling entity with the tax office, hence an item of income tax receivables of PLN 4,219 thousand appeared in the balance sheet.

21. Share capital and reserve capital/reserve funds

21.1. Share capital

As at 30 June 2024, there were no changes in the Company's share capital compared to 31 December 2023.

21.2. Major shareholders

	As at 30 June 2024		As at 31 December 2023	
	Share in the share capital	Share in the total number of votes	Share in the share capital	Share in the total number of votes
Thomas Onstad	**68,13%**	**68,13%**	**68,13%**	**68,13%**
indirectly via	60,01%	60,01%	60,01%	60,01%
Nemus Holding AB	59,15%	59,15%	59,15%	59,15%
other entity	0,86%	0,86%	0,86%	0,86%
directly	8,12%	8,12%	8,12%	8,12%
Other	**31,87%**	**31,87%**	**31,87%**	**31,87%**

21.3. FX differences on translation of investments in foreign entities

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

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

21.4. Reserve capital

The reserve capital amounted to PLN 625,736 thousand as at 30 June 2024. The amount of the reserve capital increased compared to the end of 2023 as a result of the transfer of part of the retained earnings to the reserve capital.

21.5. Other reserves

Other capitals amounted to PLN 135,578 thousand as at 30 June 2024 and decreased by PLN 720 thousand compared to 31 December 2023.

The decrease in reserve funds is due to a decrease in the positive valuation of financial instruments compared to the end of 2023.

21.6. Undistributed profit and restrictions in dividend distribution

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

Dividend payment restrictions were described in note 13.

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

22. Financial instruments

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

22.1. Fair value of each class of financial instruments

The table below presents the selected financial instruments held by the Group by carrying amount and split into individual assets and liabilities.

		Carrying amount	
	Category in compliance with IFRS 9	As at 30 June 2024	As at 31 December 2023
Financial assets			
Shares in subsidiaries			
Other (long-term) financial assets	WwZK	30 807	21 914
Trade and other receivables	WwZK	14 572	15 935
Cash and cash equivalents	WwZK	167 309	264 150
Derivatives	IRZ	2 553	3 442
Other (short-term) financial assets	WwZK	8 280	7 519
Total		223 521	312 960
Financial liabilities			
Interest-bearing loans, borrowings and bonds	*WwZK*	305 673	422 137
Trade and other payables	*WwZK*	21 448	18 939
Finance lease liabilities/other liabilities	*WwZK*	29	55
Total		327 150	441 131

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

The fair value of the loans amounted to PLN 310,283 thousand (carrying amount of PLN 305,673 thousand) as at 30 June 2024 and PLN 425,951 thousand (carrying amount of PLN 422,137 thousand) as at 31 December 2023.

Hedging instruments are presented in the statement of financial position under Other financial assets and Other financial liabilities, respectively.

As at 30 June 2024 and 31 December 2023, for the following financial assets and financial liabilities, the fair value does not differ significantly from their carrying amount:

— Trade and other receivables,
— cash and cash equivalents,
— financial liabilities under leases,
— trade payables, for the purchase of tangible and intangible assets.

More information on the fair value of financial instruments is provided in the Annual Report for 2023, note 28.1.

As at 30 June 2024 and 31 December 2023, financial instruments according to the valuation hierarchy qualify as Level 3 except for derivatives (Level 2).

23. Contingent liabilities and contingent assets

As at 30 June 2024, the Company had no contingent liabilities.

24. Transactions with related entities

The table below presents the total amount of transactions concluded with related entities within the period of 6 months ended on 30 June 2024 and as at 30 June 2023 and as at 30 June 2024 and as at 31 December 2023:

Related Entity		*Sales to related entities*	*Purchases from related entities*	*Interest – operational income*	*Dividend received*	*Interest – financial expense*	*Guarantees obtained – other financial expenses*	*Receivables from related entities*	*including overdue*	*Loan receivables*	*Liabilities to related entities*	*including overdue, after the payment date*	*Loan liabilities*
Parent entity:													
Nemus Holding AB	2024	2	-	-		-	-	-	-	-	-	-	-
	2023	2	-	-	-	-	-	-	-	-	-	-	-
Subsidiaries	2024	**6 732**	**5 062**	**1 035**	**105 597**	**-**	**1 389**	**38 961**	**22 531**	**181 619**	**3 766**	**-**	**252 508**
	2023	**7 125**	**1 874**	**1 185**	**179 235**	**-**	**1 322**	**38 317**	**22 531**	**175 553**	**471**	**-**	**353 450**
Total	**2024**	**6 734**	**5 062**	**1 035**	**105 597**	**-**	**1 389**	**38 961**	**22 531**	**181 619**	**3 766**	**-**	**252 508**
impairment allowances		**-**	-	**-**	**-**	-	**-**	**(22 531)**	**(22 531)**	**(63 411)**	-	-	-
presentation as interests in subsidiaries		-	-	-	-	-	-	-	-	**(82 709)**	-	-	-
2024 following impairment allowances and changes to presentation		**6 734**	**5 062**	**1 035**	**105 597**	**-**	**1 389**	**16 430**	**-**	**35 499**	**3 766**	**-**	**252 508**
	2023	**7 126**	**1 874**	**1 185**	**179 235**	**-**	**1 322**	**38 317**	**22 531**	**175 553**	**471**	**-**	**353 450**
impairment allowances		**-**	**-**	**-**	**-**	**-**	**-**	**(22 531)**	**(22 531)**	**(63 411)**	**-**	**-**	**-**
presentation as interests in subsidiaries		-	-	-	-	-	-	-	-	**(82 709)**	-	-	-
2023 following impairment allowances and changes to presentation		**7 126**	**1 874**	**1 185**	**179 235**	**-**	**1 322**	**15 786**	**-**	**29 433**	**471**	**-**	**353 450**

25. Events after the end of the reporting period

After 30 June 2024, until the date hereof there were no other material events requiring disclosure in this report with the exception of the matter described in the interim consolidated financial statements in note 30.

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	8 August 2024	signed with a qualified electronic signature
Member of the Management Board Chief Financial Officer	Katarzyna Wojtkowiak	8 August 2024	signed with a qualified electronic signature
Member of the Management Board Vice-President for Sales and Marketing	Fabian Langenskiöld	8 August 2024	signed with a qualified electronic signature

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