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ARCTIC PAPER S.A. CAPITAL GROUP
Consolidated financial statements
for Q3 2017

TRANSLATORS' 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, the Polish version is binding.

ARCTIC PAPER

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Introduction

Information on the report

This Consolidated Quarterly Report for Q3 2017 was prepared in accordance with the Minister of Finance Regulation of 25 May 2016 amending the Regulation 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 2016, item 860, as amended) and a part of the abbreviated consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), in particular in accordance with International Accounting Standard No. 34 and IFRS approved by the EU. (EU IFRS) IFRS comprise standards and interpretations accepted by the International Accounting Standards Board (IASB) and the International Financial Reporting Standards Interpretation Committee (IFRIC). The abbreviated consolidated financial statements do not comprise all information and disclosures required in the annual consolidated financial statements which are subject to mandatory audit and therefore they should be read in conjunction with the consolidated financial statements of the Group for the year ended on 31 December 2016.

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

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

Definitions and abbreviations

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

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

Arctic Paper, Company, Issuer, Parent Company, AP	Arctic Paper Spółka Akcyjna with its registered office in Poznań, Poland
Capital Group, Group, Arctic Paper Group, AP Group	Capital Group comprised of Arctic Paper Spółka Akcyjna and its subsidiaries as well as joint ventures
Arctic Paper Kostrzyn, AP Kostrzyn, APK	Arctic Paper Kostrzyn Spółka Akcyjna with its registered office in Kostrzyn nad Odrą, Poland
Arctic Paper Munkedals, AP Munkedals, APM	Arctic Paper Munkedals AB with its registered office in Munkedal Municipality, Västra County, Sweden
Arctic Paper Mochenwangen, AP Mochenwangen, APMW	Arctic Paper Mochenwangen GmbH with its registered office in Mochenwangen, Germany
Arctic Paper Grycksbo, AP Grycksbo, APG	Arctic Paper Grycksbo AB with its registered office in Kungsvagen, Grycksbo, Sweden
Paper Mills	Arctic Paper Kostrzyn, Arctic Paper Munkedals, Arctic Paper Grycksbo, Arctic Paper Mochenwangen (by the end of December 2015)
Arctic Paper Investment AB, API AB	Arctic Paper Investment AB with its registered office in Göteborg, Sweden
Arctic Paper Investment GmbH, API GmbH	Arctic Paper Investment GmbH with its registered office in Wolpertswende, Germany
Arctic Paper Verwaltungs	Arctic Paper Verwaltungs GmbH with its registered office in Wolpertswende, Germany

Arctic Paper Immobilienverwaltungs	Arctic Paper Immobilienverwaltungs GmbH & Co. KG with its registered office in Wolpertswende, Germany
Kostrzyn Group	Arctic Paper Kostrzyn Spółka Akcyjna with its registered office in Kostrzyn nad Odrą and EC Kostrzyn Sp. z o.o. with its registered office in Kostrzyn nad Odrą
Mochenwangen Group	Arctic Paper Investment GmbH, Arctic Paper Mochenwangen GmbH, Arctic Paper Verwaltungs GmbH, Arctic Paper Immobilienverwaltungs GmbH & Co.KG (disclosed in this report as discontinued operations)
Grycksbo Group	From 8 July 2014: Arctic Paper Grycksbo AB, formerly: Arctic Paper Grycksbo AB and Grycksbo Paper Holding AB
Sales Offices	Arctic Paper Papierhandels GmbH with its registered office in Vienna (Austria); Arctic Paper Benelux SA with its registered office in Oud-Haverlee (Belgium); Arctic Paper Danmark A/S with its registered office in Greve (Denmark); Arctic Paper France SA with its registered office in Paris (France); Arctic Paper Deutschland GmbH with its registered office in Hamburg (Germany); Arctic Paper Ireland Ltd with its registered office in Dublin (Ireland); liquidated on 25 October 2016 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 Kolbotn (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 Sverige AB with its registered office in Munkedal (Sweden); Arctic Paper Schweiz AG with its registered office in Zurich (Switzerland); Arctic Paper UK Ltd with its registered office in Caterham (UK); Arctic Paper East Sp. z o.o. with its registered office in Kostrzyn nad Odrą (Poland);
Arctic Paper Finance AB	Arctic Paper Finance AB with its registered office in Göteborg, Sweden
Rottneros, Rottneros AB	Rottneros AB with its registered office in Sunne, Sweden
Rottneros Group, Rottneros AB Group	Rottneros AB with its registered office in Sunne, Sweden; Rottneros Bruk AB with its registered office in Sunne, Sweden; Utansjo Bruk AB with its registered office in Harnösand, Sweden, Vallviks Bruk AB with its registered office in Söderhamn, Sweden; Rottneros Packaging AB with its registered office in Stockholm, Sweden; SIA Rottneros Baltic with its registered office in Ventspils, Latvia
Pulp Mills	Rottneros Bruk AB in Sunne, Sweden; Vallviks Bruk AB with its registered office in Söderhamn, Sweden
Rottneros Purchasing Office	SIA Rottneros Baltic with its registered office in Latvia
Office Kalltorp	Kalltorp Kraft Handelsbolaget with its registered office in Trollhattan, Sweden
Nemus Holding AB	Nemus Holding AB with its registered office in Göteborg, Sweden
Thomas Onstad	The Issuer's core shareholder, holding directly and indirectly over 50% of shares in Arctic Paper S.A.; a member of the Issuer's Supervisory Board
Management Board, Issuer's Management Board, Company's Management Board, Group's Management Board	Management Board of Arctic Paper S.A.
Supervisory Board, Issuer's Supervisory Board, Company's Supervisory Board, Group's Supervisory Board, SB	Supervisory Board of Arctic Paper S.A.
GM, General Meeting, Issuer's General	General Meeting of Arctic Paper S.A.

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

Definitions of selected terms and financial indicators and abbreviations of currencies

Sales profit margin	Ratio of profit (loss) on sales to sales revenues from continuing operations
EBIT	Profit on continuing operating activity (Earnings Before Interest and Taxes)
EBIT profitability, operating profitability, operating profit margin	Ratio of operating profit (loss) to sales revenues from continuing operations
EBITDA	Operating profit from continuing operations plus depreciation and amortisation and impairment charges (Earnings Before Interest, Taxes, Depreciation and Amortisation)
EBITDA profitability, EBITDA margin	Ratio of operating profit plus depreciation and amortisation and impairment charges to sales revenues 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
Solidity ratio	Ratio of equity (calculated in compliance with Swedish GAAP accounting principles) to assets
Interest coverage	Ratio of interest value (less of financial lease interest) to EBITDA (calculated in compliance with Swedish GAAP accounting principles)
EBITDA-to-interest coverage ratio	Ratio of EBITDA to interest expense from continuing operations
Current liquidity ratio	Ratio of current assets to short-term liabilities
Quick ratio	Ratio of current assets minus inventory and short-term accruals, prepayments and deferred costs to short-term liabilities
Acid test ratio	Ratio of total cash and cash equivalents to short-term liabilities
DSI	Days Sales of Inventory, ratio of inventory to cost of sales multiplied by the number of days in the period
DSO	Days Sales Outstanding, ratio of trade receivables to sales revenues from continuing operations multiplied by the number of days in the period
DPO	Days Payable Outstanding, ratio of trade payables to cost of sales from continuing operations multiplied by the number of days in the period
Operating cycle	DSI + DSO
Cash conversion cycle	Operating cycle – DPO
FY	Financial year
Q1	1st quarter of the financial year
Q2	2nd quarter of the financial year
Q3	3rd quarter of the financial year
Q4	4th quarter of the financial year
H1	First half of the financial year
H2	Second half of the financial year
YTD	Year-to-date
Like-for-like, LFL	Analogous, with respect to operating result.
p.p.	Percentage point, difference between two amounts of one item given in percentage
PLN, zł, złoty	Monetary unit of the Republic of Poland
gr	grosz – 1/100 of one zloty (the monetary unit of the Republic of Poland)
Euro, EUR	Monetary unit of the European Union
GBP	Pound sterling, monetary unit of the United Kingdom
SEK	Swedish Krona – monetary unit of the Kingdom of Sweden
USD	United States dollar, the legal tender in the United States of America
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
GDP	Gross Domestic Product

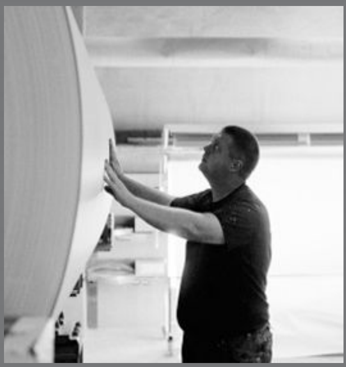
Other definitions and abbreviations

Series A Shares	50,000 Shares of Arctic Paper S.A. A series ordinary shares of PLN 1 each.

Series B Shares	44,253,500 Shares of Arctic Paper S.A. B series ordinary shares of PLN 1 each.
Series C Shares	8,100,000 Shares of Arctic Paper S.A. C series ordinary shares of PLN 1 each.
Series E Shares	3,000,000 Shares of Arctic Paper S.A. E series ordinary shares of PLN 1 each.
Series F Shares	13,884,283 Shares of Arctic Paper S.A. F series ordinary shares of the nominal value of PLN 1 each
Shares, Issuer's Shares	Series A, Series B, Series C, Series E, and Series F Shares jointly

Forward looking statements

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



Management Board's Report from operations of the Arctic Paper S.A. Capital Group to the report for Q3 2017

Description of the business of the Arctic Paper Group

General information

The Arctic Paper Group is a leading European producer in terms of production volume of bulky book paper, offering a broad range of products in the segment and one of the leading producers of high-quality graphic paper in Europe. The Group produces numerous types of uncoated and coated wood-free paper as well as wood-containing uncoated paper for printing houses, paper distributors, book and magazine publishing houses and the advertising industry. In connection with acquisition of the Rottneros Group in December 2012, the Group's assortment was expanded with the production of pulp. As on the day hereof, the Arctic Paper Group employs app. 1,750 people in its Paper Mills, Pulp Mills, companies dealing in paper distribution and sales, and a company dealing in timber procurement for pulp production. The Group's Paper Mills are located in Poland and Sweden, and have total production capacity of more than 700,000 tons of paper per year. Paper production in the Paper Mill located in Germany, with total production output of 115,000 tons of paper annually, was discontinued at the end of 2015. The Pulp Mills are located in Sweden and have total production capacity of 400,000 tons of pulp per year. The Group has fourteen Sales Offices which handle distribution and marketing of products offered by the Group providing access to all European markets, including Central and Eastern Europe. Our consolidated sales revenues for three quarters of 2017 amounted to PLN 2,213 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 Poznań – Nowe Miasto i Wilda, 8th Commercial Division of the National Court Register, under KRS number 0000306944. The Parent Entity holds statistical number REGON 080262255.

Group Profile

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

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

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

Our production facilities

As on 30 September 2017 as well as on the day hereof, the Group owned the following Paper Mills:

- the Paper Mill in Kostrzyn nad Odrą (Poland) has the production capacity of about 280,000 tons per year and mainly produces uncoated wood-free paper for general printing use such as printing books, brochures and forms, and for producing envelopes and other paper products;

- the Paper Mill in Munkedal (Sweden) has the production capacity of about 160,000 tons per year and mainly produces fine uncoated wood-free paper used primarily for printing books and high-quality brochures;
- the Paper Mill in Grycksbo (Sweden) has the production capacity of about 265,000 tons per year and produces coated wood-free paper used for printing maps, books, magazines, posters and printing of advertising materials.

The Paper Mill in Mochenwangen (Germany) had the production capacity of about 115,000 tons. The production in the Paper Mill was discontinued at the end of 2015;

As on 30 September 2017 as well as on the day hereof, the Group owned the following Pulp Mills:

- the pulp mill in Rottneros (Sweden) has production capacity of about 150,000 tons annually and produces mainly two types of mechanical pulp: groundwood and chemo thermo mechanical pulp (CTMP);
- the pulp mill in Vallvik (Sweden) has the annual production capacity of about 250,000 tons and produces two types of long-fibre sulphate pulp: fully bleached sulphate pulp and unbleached sulphate pulp. The most of Vallvik Pulp Mill production is known as NBSK pulp. The unbleached sulphate pulp produced by the mill is characterised with a high level of purity. The high quality of this pulp, which has been achieved over the years, made Vallvik the global leader in deliveries of this type of pulp, which is used, among others, in the production of power transformers and in the cable industry.

Our products

The product assortment of the Arctic Paper Group covers:

Uncoated wood-free paper, in particular:

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

Coated wood-free paper, in particular:

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

Uncoated wood-containing paper, in particular:

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

Unbleached sulphate pulp:

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

Mechanical fibre pulp:

- chemo thermo mechanical pulp (CTMP) and groundwood which are used mainly for production of printing and writing papers.

Until the end of 2015 the Group used to produce wood containing bulky book paper under the PAMO brand and wood containing offset paper under the L-Print brand. In view of discontinued production at the Paper Mill in AP Mochenwangen, the Group discontinued manufacturing those kinds of paper.

Capital Group structure

The Arctic Paper Capital Group comprises Arctic Paper S.A., as the Parent Entity, and its subsidiaries, as well as joint ventures. Since 23 October 2009, Arctic Paper S.A. has been listed on the primary market of 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 abbreviated consolidated financial statements, further below in this quarterly report.

Changes in the capital structure of the Arctic Paper Group

In Q3 2017, no changes in the capital structure of the Arctic Paper Group occurred.

Shareholding structure

Nemus Holding AB, a company under Swedish law (a company owned indirectly by Mr Thomas Onstad), is the majority shareholder of Arctic Paper S.A., holding (as at 30 September 2017) 40,381,449 shares of our Company, which constitutes 58.28% of its share capital and corresponds to 58.28% of the total number of votes at General Meetings. Thus Nemus Holding AB is the parent entity of the Issuer.

Additionally, Mr Thomas Onstad, an indirect shareholder of Nemus Holding AB, holds directly 6,223,658 shares representing 8.98% of the total number of shares in the Company, and indirectly via an entity other than Nemus Holding AB – 600,000 shares accounting for 0.87% of the total number of shares of the Issuer.

Until the publication date hereof, the number of shares held by Nemus Holding AB and directly by Mr Thomas Onstad was not changed and their share in the share capital and the overall number of votes did not change versus the situation as at 30 September 2017.

The list of shareholders holding directly or indirectly minimum 5% of the overall number of votes at general meetings

	as at 13.11.2017				as at 30.09.2017				as at 28.08.2017			
Shareholder	Number of shares	Share in the share capital [%]	Number of votes	Share in the total number of votes [%]	Number of shares	Share in the share capital [%]	Number of votes	Share in the total number of votes [%]	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%**	**47 205 107**	**68,13%**	**47 205 107**	**68,13%**	**47 205 107**	**68,13%**	**47 205 107**	**68,13%**
- indirectly via	40 981 449	59,15%	40 981 449	59,15%	40 981 449	59,15%	40 981 449	59,15%	40 981 449	59,15%	40 981 449	59,15%
Nemus Holding AB	40 381 449	58,28%	40 381 449	58,28%	40 381 449	58,28%	40 381 449	58,28%	40 381 449	58,28%	40 381 449	58,28%
other entity	600 000	0,87%	600 000	0,87%	600 000	0,87%	600 000	0,87%	600 000	0,87%	600 000	0,87%
- directly	6 223 658	8,98%	6 223 658	8,98%	6 223 658	8,98%	6 223 658	8,98%	6 223 658	8,98%	6 223 658	8,98%
Other	**22 082 676**	**31,87%**	**22 082 676**	**31,87%**	**22 082 676**	**31,87%**	**22 082 676**	**31,87%**	**22 082 676**	**31,87%**	**22 082 676**	**31,87%**
Total	69 287 783	100,00%	69 287 783	100,00%	69 287 783	100,00%	69 287 783	100,00%	69 287 783	100,00%	69 287 783	100,00%
Treasury shares	-	0,00%	-	0,00%	-	0,00%	-	0,00%	-	0,00%	-	0,00%
Total	**69 287 783**	**100,00%**	**69 287 783**	**100,00%**	**69 287 783**	**100,00%**	**69 287 783**	**100,00%**	**69 287 783**	**100,00%**	**69 287 783**	**100,00%**

The data in the above table is provided as of the date hereof, as of 30 September 2017 and as of the publication date of the semi-annual report for 2017.

Summary of consolidated financial results

Consolidated profit and loss account

Selected consolidated profit and loss account items

PLN thousand	Q3 2017	2Q 2017	3Q 2016	YTD 2017	YTD 2016	Change % 3Q2017/ 2Q2017	Change % 3Q2017/ 3Q2016	Change % YTD 2017/ YTD 2016
Sales revenues	**735 866**	**703 087**	**759 981**	**2 212 855**	**2 259 806**	**4,7**	**(3,2)**	**(2,1)**
of which:								
Sales of paper	*542 344*	*513 168*	*569 288*	*1 630 568*	*1 698 689*	*5,7*	*(4,7)*	*(4,0)*
Sales of pulp	*193 522*	*189 919*	*190 693*	*582 287*	*561 117*	*1,9*	*1,5*	*3,8*
Profit / (loss) on sales	138 809	141 503	152 418	434 950	441 642	(1,9)	(8,9)	(1,5)
% of sales revenues	*18,86*	*20,13*	*20,06*	*19,66*	*19,54*	*(1,3) p.p.*	*(1,2) p.p.*	*0,1 p.p.*
Selling and distribution costs	(85 739)	(85 866)	(88 038)	(263 513)	(268 905)	(0,1)	(2,6)	(2,0)
Administrative expenses	(19 714)	(26 109)	(19 386)	(68 453)	(64 636)	(24,5)	1,7	5,9
Other operating income	10 430	9 342	11 327	32 708	50 279	11,7	(7,9)	(34,9)
Other operating expenses	(5 271)	(5 842)	(8 285)	(20 030)	(35 264)	(9,8)	(36,4)	(43,2)
EBIT	**38 515**	**33 026**	**48 035**	**115 662**	**123 116**	**16,6**	**(19,8)**	**(6,1)**
% of sales revenues	*5,23*	*4,70*	*6,32*	*5,23*	*5,45*	*0,5 p.p.*	*(1,1) p.p.*	*(0,2) p.p.*
EBITDA	**70 780**	**64 561**	**76 856**	**210 838**	**211 219**	**9,6**	**(7,9)**	**(0,2)**
% of sales revenues	*9,62*	*9,18*	*10,11*	*9,53*	*9,35*	*0,4 p.p.*	*(0,5) p.p.*	*0,2 p.p.*
Financial income	2 253	(1 344)	523	7 618	1 143	(267,6)	330,4	566,6
Financial expenses	(9 450)	(9 041)	(9 717)	(26 411)	(31 303)	4,5	(2,7)	(15,6)
Gross profit (loss)	**31 317**	**22 641**	**38 842**	**96 869**	**92 956**	**38,3**	**(19,4)**	**4,2**
Income tax	(5 683)	(7 823)	(6 325)	(21 335)	(23 767)	(27,4)	(10,1)	(10,2)
Net profit/ (loss) from continuing operations	**25 634**	**14 818**	**32 517**	**75 534**	**69 189**	**73,0**	**(21,2)**	**9,2**
Net profit margin from continuing operations %	*3,48*	*2,11*	*4,28*	*3,41*	*3,06*	*1,4 p.p.*	*(0,8) p.p.*	*0,4 p.p.*
Discontinued operations								
Net profit/ (loss) from discontinued operations	**(1 849)**	**(1 855)**	**(873)**	**(5 852)**	**(7 213)**	**(0,3)**	**111,8**	**(18,9)**
Net profit margin from discontinuing operations %	*(0,25)*	*(0,26)*	*(0,11)*	*(0,26)*	*(0,32)*	*0,0 p.p.*	*(0,1) p.p.*	*0,1 p.p.*
Net profit/ (loss)	**23 786**	**12 963**	**31 644**	**69 682**	**61 976**	**83,5**	**(24,8)**	**12,4**
Net profit margin %	*3,23*	*1,84*	*4,16*	*3,15*	*2,74*	*1,4 p.p.*	*(0,9) p.p.*	*0,4 p.p.*
Net profit / (loss) attributable to the shareholders of the Parent Entity	17 597	3 561	24 523	45 306	34 404	394,1	(28,2)	31,7

Commentary of the President of the Management Board Per Skoglund on the results of Q3 2017

In Q3 2017 the Arctic Paper Group generated sales revenue of nearly PLN 735.9 million. EBITDA was PLN 70.8 million and operating profit PLN 38.5 million. The Group's net profit on continuing operations in Q3 2017 was PLN 25.6 million.

The weaker results of Arctic Paper in the 3rd quarter were due primarily to the effect of a further increase in pulp prices which has not been fully offset yet by higher paper prices. The result was also affected by the planned stoppage at the Arctic Paper Kostrzyn plant for 12 days in July of this year, connected with an investment to increase the production efficiency at that plant.

Through the first three quarters of 2017, the Arctic Paper Group generated sales revenue of over PLN 2.2 billion. EBITDA was PLN 210.8 million and operating profit nearly PLN 115.7 million. The Group's net profit on continuing operations in the first three quarters of 2017 rose 9.2%, to PLN 75.5 million.

Results in the paper segment (excluding Rottneros)

In Q3 2017, the Arctic Paper Group generated sales revenue in the paper segment of PLN 542.3 million, EBITDA of PLN 38.9 million and operating profit of PLN 18.7 million. The Group's net profit on continuing operations in Q3 2017 was PLN 12.9 million, and net profit over PLN 11.1 million.

The average use of production capacity was 98.0%, up 2.7 pp year-on-year.

The Group's sales revenue in the paper segment through the first three quarters of this year was nearly PLN 1.6 billion. EBITDA was PLN 104.7 million and operating profit PLN 44.4 million. The Group's net profit on continuing operations through the first three quarters of 2017 was PLN 38.9 million.

Results in the pulp segment (Rottneros)

The Group's results in the pulp segment in Q3 2017 were still solid, and profit and margins remained at a good level. Changes in prices of the pulp produced by Rottneros (NBSK) were advantageous for the company. Meanwhile, investments carried out in the Agenda 500 program allow for high production volumes.

Revenues

In Q3 2017, the consolidated sales revenues amounted to PLN 735,866 thousand (sales of paper: PLN 542,344 thousand, pulp sales: PLN 193,522 thousand), as compared to PLN 759,981 thousand (sales of paper: PLN 569,288 thousand), pulp sales: PLN 190,693 thousand), in the equivalent period of the previous year. That means a decrease by PLN 24,115 thousand (drop of paper sales: PLN 26,944 thousand growth of pulp sales by PLN 2,829 thousand) and by -3.2% respectively (paper sales: -4.7%, pulp sales: +1.5%).

In the first nine months of 2017, the sales revenues amounted to PLN 2,212,855 thousand (sales of paper: PLN 1,630,568 thousand), pulp sales: PLN 582,287 thousand), as compared to PLN 2,259,806 thousand (sales of paper: PLN 1,698,689 thousand), pulp sales: PLN 561,117 thousand), generated in the equivalent period of the previous year. This means a decrease of revenues by PLN 46,951 thousand (drop of paper sales: PLN 68,121 thousand), growth of pulp sales by PLN 21,170 thousand), and by -2.1% respectively (paper sales: -4.0%, pulp sales: +3.8%).

Paper sales volume in Q3 2017 amounted to 164 thousand tons compared to 171 thousand tons in the same period of the previous year. The change represents a decrease of 7 thousand tons and by 4.1% respectively. Pulp sales volume in Q3 2017 amounted to 88 thousand tons compared to 90 thousand tons in the same period of the previous year. The change represents a decrease of 2 thousand tons and by 2.2% respectively.

Paper sales volume in the first three quarters of 2017 amounted to 499 thousand tons compared to 503 thousand tons in the same period of the previous year. The change represents a decrease of 4 thousand tons and by 0.8% respectively. Pulp sales volume in the first three quarters of 2017 amounted to 273 thousand tons compared to 262 thousand tons in the same period of the previous year. The change represents an increase of 11 thousand tons and by 4.2% respectively.

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

In Q3 2017, profit on sales amounted to PLN 138,809 thousand and was by 8.9% lower than in the corresponding period of the previous year. Sales profit margin in the current quarter stood at 18.86% compared to 20.06% (-1.2 p.p.) in the equivalent period of the previous year. The core reason underlying the drop of profit and profit margin on sales in Q3 2017 versus the equivalent period of the previous year was a lower volume of the sale of paper and higher costs of pulp consumption.

For three quarters of 2017, profit on sales amounted to PLN 434,950 thousand and was by 1.5% lower than in the corresponding period of the previous year. Sales profit margin in the period stood at 19.66% compared to 19.54% (+0.1 p.p.) in the equivalent period of the previous year. The core reason for the decreased profit on sales with a simultaneous growth of profit on sales of paper (partly set off with increased revenues on the sale of pulp) combined with lower unit production costs primarily of pulp, was the effect of better negotiated commercial terms and conditions.

In Q3 2017, the selling and distribution costs amounted to PLN 85,739 thousand which was a decrease by 2.6% compared to the costs incurred in Q3 2016.

In three quarters of 2017, the selling and distribution costs amounted to PLN 263,513 thousand which was a decrease by 2.0% compared to the costs incurred in the equivalent period of 2016. The selling costs include primarily costs of transport of finished products to counterparties.

In Q3 2017, the administrative expenses amounted to PLN 19,714 thousand as compared to PLN 19,386 thousand in the equivalent period of 2016 (growth by 1.7%). The overheads are composed primarily of the costs of advisory and administrative services in the Group. Relatively high general overheads in Q2 2017 were related to provisions established for unutilised annual leaves as at 30 June 2017.

In three quarters of 2017, the administrative expenses amounted to PLN 68,453 thousand as compared to PLN 64,636 thousand in the equivalent period of 2016 which was a growth by 5.9%. The main reason of the increase were higher costs related to consulting services rendered to the Group by third parties.

Other operating income and expenses

Other operating income amounted to PLN 10,430 thousand in Q3 2017 as compared to PLN 11,327 thousand in Q3 2016.

Other operating income amounted to PLN 32,708 thousand for three quarters of 2017 which was a decrease as compared to the equivalent period of the previous year (by PLN 17,571 thousand).

Other operating income consisted mainly of revenues from heat and electricity sales as well as sales revenues from other materials and CO2 emission rights. The drop of other operating revenues in the current period was due mainly to lower sales of other materials.

In Q3 2017, the other operating expenses amounted to PLN 5,271 thousand as compared to PLN 8,285 thousand in Q3 2016.

Other operating expenses amounted to PLN 20,030 thousand for three quarters of 2017 which was a decrease as compared to the equivalent period of the previous year by PLN 15,234 thousand.

The other operating expenses comprised mainly the costs of electricity and heat sales as well as the costs of other materials sold. The lower other operating expenses in the first three quarters of 2017 were affected primarily by the lower costs of other materials sold.

Financial income and financial expenses

Financial income in Q3 2017 amounted to PLN 2,253 thousand as compared to PLN 523 thousand incurred in Q3 2016.

In the first nine months 2017, the financial income amounted to PLN 7,618 thousand while in the equivalent period in 2016 it was PLN 1,143 thousand. The high value of financial revenues for three quarters of 2017 results from the net presentation of FX differences or as a surplus of FX gains over FX losses (financial income) or as a surplus of FX losses over FX gains (financial expenses). The surplus of FX gains over FX losses for the three quarters of 2017 amounted to PLN 4,356 thousand.

In Q3 2017, financial expenses amounted to PLN 9,450 thousand as compared to PLN 9,717 thousand incurred in Q3 2016.

Financial expenses for three quarters of 2017 amounted to PLN 26,411 thousand as compared to PLN 31,303 thousand incurred for three quarters in 2016. The lower financial expenses for three quarters of 2017 were primarily due to a higher surplus of FX gains over FX losses recorded as financial income.

Income tax

In Q3 2017, income tax amounted to PLN -5,683 thousand while in the equivalent period in 2016 it was PLN -6,325 thousand.

The current portion of income tax in the analysed quarter of 2017 amounted to PLN +318 thousand while the deferred portion to PLN -6,001 thousand. In Q3 the previous year, the amount was PLN -722 thousand and PLN -5,603 thousand respectively.

For three quarters of 2017, income tax amounted to PLN -21,335 thousand while in the equivalent period in 2016 it was PLN -23,767 thousand.

The current portion of income tax in the analysed three quarters of 2017 amounted to PLN -2,743 thousand while the deferred portion to PLN -18,592 thousand. In the equivalent quarters of the previous year, the amount was PLN -3,061 thousand and PLN -20,706 thousand respectively.

Net profit / (loss) from discontinued operations

Net profit/loss on discontinued operations covers the results of AP Mochenwangen and of the companies set up to acquire the Paper Mill. As the Management Board of Arctic Paper S.A. remains ready to sell the Paper Mill, its business has been treated as discontinued. In the first three quarters of 2017, the loss on discontinued operations amounted to PLN 5,852 thousand (for 3 quarters of 2016: PLN 7,213 thousand).

Profitability analysis

In Q3 2017, the result on continuing operations amounted to PLN 38,515 thousand as compared to PLN 48,035 thousand in the equivalent period of the previous year. The changes resulted in a drop of operational profit margin from +6.3% in Q3 of 2016 to +5.2% in the Q3 this year.

For three quarters of 2017, the result on continuing operations amounted to PLN 115,662 thousand as compared to PLN 123,116 thousand in the equivalent period of the previous year. The changes resulted in a drop of operational profit margin from +5.4% for three quarters of 2016 to +5.2% for three quarters of the current year.

EBITDA in Q3 2017 was PLN 70,780 thousand while in the equivalent period in 2016 it was PLN 76,856 thousand. In the reporting period, the EBITDA margin was 9.6% compared to 10.1% in the equivalent period of 2016.

EBITDA for three quarters of 2017 was PLN 210,838 thousand while in the equivalent period in 2016 it was PLN 211,219 thousand. In the reporting period, the EBITDA margin was 9.5% compared to 9.3% in the equivalent period of 2016.

In the current quarter of 2017, net profit amounted to PLN 23,786 thousand as compared to the net profit of PLN 31,644 thousand in Q3 2016.

In three quarters of 2017, net profit amounted to PLN 69,682 thousand as compared to the net profit of PLN 61,976 thousand in three quarters of 2016.

Profitability analysis

PLN thousand	3Q 2017	2Q 2017	3Q 2016	YTD 2017	YTD 2016	Change % 3Q2017/ 2Q2017	Change % 3Q2017/ 3Q2016	Change % YTD 2017/ YTD 2016
Profit on sales	138 809	141 503	152 418	434 950	441 642	(1,9)	(8,9)	(1,5)
% of sales revenues	*18,86*	*20,13*	*20,06*	*19,66*	*19,54*	*(1,3) p.p.*	*(1,2) p.p.*	*0,1 p.p.*
EBITDA	**70 780**	**64 561**	**76 856**	**210 838**	**211 219**	**9,6**	**(7,9)**	**(0,2)**
% of sales revenues	*9,62*	*9,18*	*10,11*	*9,53*	*9,35*	*0,4 p.p.*	*(0,5) p.p.*	*0,2 p.p.*
EBIT	**38 515**	**33 026**	**48 035**	**115 662**	**123 116**	**16,6**	**(19,8)**	**(6,1)**
% of sales revenues	*5,23*	*4,70*	*6,32*	*5,23*	*5,45*	*0,5 p.p.*	*(1,1) p.p.*	*(0,2) p.p.*
Net profit (loss) from continuing	**25 634**	**14 818**	**32 517**	**75 534**	**69 189**	**73,0**	**(21,2)**	**9,2**
% of sales revenues	*3,48*	*2,11*	*4,28*	*3,41*	*3,06*	*1,4 p.p.*	*(0,8) p.p.*	*0,4 p.p.*
Net profit / (loss) from discontinued	**(1 849)**	**(1 855)**	**(873)**	**(5 852)**	**(7 213)**	**(0,3)**	**111,8**	**(18,9)**
% of sales revenues	*(0,25)*	*(0,26)*	*(0,11)*	*(0,26)*	*(0,32)*	*0,0 p.p.*	*(0,1) p.p.*	*0,1 p.p.*
Net profit/(loss)	**23 786**	**12 963**	**31 644**	**69 682**	**61 976**	**83,5**	**(24,8)**	**12,4**
% of sales revenues	*3,23*	*1,84*	*4,16*	*3,15*	*2,74*	*1,4 p.p.*	*(0,9) p.p.*	*0,4 p.p.*
Return on equity / ROE (%)	3,0	1,8	4,3	8,8	8,5	1,3 p.p.	(1,3) p.p.	0,3 p.p.
Return on assets / ROA (%)	1,2	0,8	1,7	3,6	3,4	0,5 p.p.	(0,5) p.p.	0,2 p.p.

In Q3 of 2017, return on equity was 3.0%, (8.8% for three quarters of 2017) while in the third quarter of 2016 it was 4.3% (8.5% for three quarters of 2016).

In Q3 of 2017, return on equity was 1.2%, (3.6% for three quarters of 2017) while in the third quarter of 2016 it was 1.7% (3.4% for three quarters of 2016).

Statement of financial position

Selected consolidated balance sheet items

PLN thousand	30.09.2017	31.12.2016	30.09.2016	Change 30.09.2017 -31.12.2016	Change 30.09.2017 -30.09.2016
Fixed assets	918 587	884 343	827 712	34 244	90 876
Inventories	355 500	360 353	344 352	(4 853)	11 148
Receivables	407 454	354 824	407 482	52 630	(28)
trade and other payables	*395 630*	*343 496*	*395 745*	*52 134*	*(115)*
Other current assets	22 133	27 711	18 784	(5 578)	3 349
Cash and cash equivalents	222 736	130 157	211 923	92 580	10 813
Assets related to discontinued operations	3 917	12 694	15 760	(8 777)	(11 843)
Total assets	**1 930 327**	**1 770 081**	**1 826 014**	**160 246**	**104 314**
Equity	790 448	742 902	728 986	47 546	61 462
Short-term liabilities	555 822	580 457	768 296	(24 635)	(212 475)
of which:					
trade and other payables	*421 533*	*399 727*	*371 573*	*21 806*	*49 959*
interest-bearing debt	*51 682*	*82 053*	*289 576*	*(30 371)*	*(237 894)*
other non-financial liabilities	*82 607*	*98 677*	*107 147*	*(16 070)*	*(24 540)*
Long-term liabilities	569 018	428 634	299 554	140 384	269 464
of which:					
interest-bearing debt	*424 672*	*305 546*	*188 583*	*119 126*	*236 088*
other non-financial liabilities	*144 346*	*123 088*	*110 971*	*21 258*	*33 375*
Liabilities directly related to the discontinued operations	15 039	18 088	29 177	(3 049)	(14 138)
Total liabilities	**1 930 327**	**1 770 081**	**1 826 014**	**160 246**	**104 314**

As at 30 September 2017 total assets amounted to PLN 1,930,327 thousand as compared to PLN 1,770,081 thousand at the end of 2016 which was an increase by PLN 160,246 thousand.

Fixed assets

At the end of September 2017, fixed assets accounted for 47.6% of total assets vs. 50.0% at the end of 2016. The value of fixed assets grew in the current period by PLN 34,244 thousand, primarily due to expenditures on tangible fixed assets and intangible assets in excess of the depreciation/amortisation to date and a positive revaluation of the long-term part of forward contracts for energy.

Current assets

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

As at the end of September 2017, current assets amounted to PLN 1,007,823 thousand as compared to PLN 873,044 thousand at the end of December 2016. As part of the current assets, inventories decreased by PLN 4,853 thousand and receivables grew by PLN 52,630 thousand, other current assets dropped by PLN 5,578 thousand while cash and cash equivalents increased by PLN 92,580 thousand. Current assets represented 52.2% of total assets as at the end of September 2017 (49.3% as at the end of 2016) and included inventories – 18.4% (20.3% as at the end of 2016), receivables – 21.2% (20.0% as at the end of 2016), other current assets – 1.1% (1.6% as at the end of 2016) and cash and cash equivalents – 11.5% (7.4% as at the end of 2016). The major growth of cash as at 30 September 2017 was due to a bond issue by Rottneros AB in Q3 this year.

Assets related to discontinued operations

The assets related to the discontinued operations cover the assets of the Mochenwangen Group with the exception of assets of the other companies in the Arctic Paper Group. The amount of PLN 3,917 thousand as at 30 September 2017 was composed of inventories (PLN 112 thousand), trade and other receivables (PLN 327 thousand), cash (PLN 3,159 thousand) and other financial and non-financial assets (PLN 319 thousand).

Equity

As at the end of Q3 2017, the equity amounted to PLN 790,448 thousand as compared to PLN 742,902 thousand at the end of 2016. Equity represented 40.9% of total liabilities as at the end of September 2017 as compared to 42.0% of total liabilities as at the end of December 2016.

Short-term liabilities

As at the end of September 2017, short-term liabilities amounted to PLN 555,822 thousand (28.8% of balance sheet total) as compared to PLN 580,457 thousand (32.8% of balance sheet total) as at the end of 2016. During three months of 2017 there was a drop of current liabilities by PLN 24,635 thousand which was primarily due to repayment of short-term loans and borrowings and repayment of factoring obligations.

Long-term liabilities

As at the end of September 2017, long-term liabilities amounted to PLN 569,018 thousand (29.5% of balance sheet total) as compared to PLN 428,634 thousand (24.2% of balance sheet total) as at the end of 2016. In the period under report, an increase of long-term liabilities occurred by PLN 140,384 thousand, primarily due to the long-term bond issue by Rottneros AB.

Liabilities directly related to the discontinued operations

The liabilities directly related to the discontinued operations cover the liabilities of the Mochenwangen Group with the exception of liabilities to the other companies in the Arctic Paper Group. The amount of PLN 15,039 thousand as at 30 September 2017 was composed of provisions (PLN 14,217 thousand), trade and other payables (PLN 598 thousand) and other financial and non-financial liabilities of PLN 224 thousand).

Debt analysis

Debt analysis

	3Q 2017	2Q 2017	3Q 2016	Change % 3Q2017/ 2Q2017	Change % 3Q2017/ 3Q2016
Debt to equity ratio (%)	144,2	129,0	150,5	15,2 p.p.	(6,3) p.p.
Equity to fixed assets ratio (%)	86,1	84,7	88,1	1,4 p.p.	(2,0) p.p.
Interest-bearing debt-to-equity ratio (%)	60,3	47,4	65,6	12,9 p.p.	(5,3) p.p.
Net debt to EBITDA ratio for the last 12 months (x)	1,02x	0,98x	1,13x	0,04	(0,11)
EBITDA to interest expense ratio for the last 12 months (x)	10,9x	11,4x	10,5x	(0,5)	0,4

As at the end of September 2017 the debt to equity ratio was 144.2% and was higher by 15.2 p.p. as compared to the end of June of 2017 and lower by 6.3 p.p. as compared to the end of September 2016.

The equity to non-current assets ratio was 86.1% as at the end of Q3 2017 and was higher by 1.4 p.p. than at the end of June of 2017 and lower by 2.0 p.p. than at the end of September 2016.

The interest bearing debt to equity ratio was 60.3% as at the end of Q3 2017 and was higher by 12.9 p.p. as compared to the end of June 2017 and lower by 5.3 p.p. as compared to the level of the ratio calculated at the end of September 2017.

Net borrowings to EBITDA calculated for the last 12 months ended on 30 September 2017 amounted to 1.02x compared to 0.98x in the equivalent period ended on 30 June 2017 and 1.13x for the twelve months period ended on 30 September 2016.

EBITDA to interest coverage ratio amounted to 10.9x for the twelve months ended on 30 September 2017, 11.4x for the twelve months ended on 30 June 2017 and 10.5x for the twelve months ended on 30 September 2016.

Liquidity analysis

Liquidity analysis

	3Q 2017	2Q 2017	3Q 2016	Change % 3Q2017/ 2Q2017	Change % 3Q2017/ 3Q2016
Current ratio	**1,8x**	**1,6x**	**1,3x**	**0,2**	**0,5**
Quick ratio	**1,1x**	**0,9x**	**0,8x**	**0,3**	**0,3**
Acid test	**0,4x**	**0,2x**	**0,3x**	**0,2**	**0,1**
DSI (days)	53,6	54,4	48,6	(0,8)	5,0
DSO (days)	48,4	43,6	46,9	4,7	1,5
DPO (days)	63,5	58,4	52,3	5,1	11,2
Operational cycle (days)	102,0	98,0	95,4	3,9	6,6
Cash conversion cycle (days)	**38,5**	**39,6**	**43,1**	**(1,2)**	**(4,7)**

The current liquidity ratio at the end of September 2017 was 1.8x and was higher than at the end of June 2017 (1.6x) and as at the end of September 2016 (1.3x).

The quick ratio grew from 0.8x as at the end of September 2016 to 1.1x as at the end of September 2017 (0.9x as at the end of June 2017).

The cash ratio reached 0.4x as at the end of September 2017 (0.2x as at the end of June 2017 and 0.3x as at the end of September 2016).

The growth of the above liquidity ratios results from the bond issue by Rottneros AB which resulted in an increase of cash as at 30 September 2017.

The cash conversion cycle for Q3 2017 (38.5 days) was shortened versus Q2 2017 (by 1,2 days) and was also shortened versus Q3 2016 (by 4.7 days).

Consolidated cash flows

Selected items of the consolidated cash flow statements

PLN thousand	3Q 2017	2Q 2017	3Q 2016	YTD 2017	YTD 2016	Change % 3Q'2017/ 2Q'2017	Change % 3Q'2017/ 3Q'2016	Change % YTD'2016/ YTD'2015
Cash flows from operating activities	58 181	81 838	82 485	161 955	97 869	(28,9)	(29,5)	65,5
of which:								
Gross profit (loss)	*29 461*	*20 779*	*37 963*	*90 995*	*84 744*	*41,8*	*(22,4)*	*7,4*
Depreciation/amortisation and	*32 265*	*31 535*	*28 830*	*95 177*	*88 440*	*2,3*	*11,9*	*7,6*
Changes to working capital	*(7 334)*	*24 763*	*16 969*	*(36 941)*	*(61 736)*	*(129,6)*	*(143,2)*	*(40,2)*
Other adjustments	*3 789*	*4 761*	*(1 277)*	*12 723*	*(13 578)*	*(20,4)*	*(396,7)*	*(193,7)*
Cash flows from investing activities	(51 385)	(44 278)	(53 375)	(126 536)	(115 973)	16,1	(3,7)	9,1
Cash flows from financing activities	115 625	(38 173)	60 858	59 328	43 323	(402,9)	90,0	36,9
Total cash flows	**122 421**	**(613)**	**89 969**	**94 746**	**25 219**	**(20 058,3)**	**36,1**	**275,7**

Cash flows from operating activities

In Q3 2017, net cash flows from operating activities amounted to PLN +58,181 thousand as compared to PLN +82,485 thousand in the equivalent period of 2016. The positive cash flows in Q3 2017 were primarily due to EBITDA generated in the period.

In the three quarters of 2017, net cash flows from operating activities amounted to PLN +161,955 thousand as compared to PLN +97,869 thousand in the equivalent period of 2016. The positive cash flows in the period between January and September this year resulted primarily from the generated EBITDA, partly set off with changes to working capital.

Cash flows from investing activities

In Q3 2017, net cash flows from investing activities amounted to PLN -51,385 thousand as compared to PLN -53,375 thousand in 2016. Expenditures for tangible fixed assets in Q3 2017 and 2016 resulted in negative cash flows from investing activities.

In the three quarters of 2017, the cash flows amounted to PLN -126,536 thousand as compared to PLN -115,973 thousand for three quarters of 2016. The negative cash flows from investing activities in the current period resulted from expenditures on tangible fixed assets.

Cash flows from financing activities

In Q3 2017, cash flows from financing activities amounted to PLN +115,625 thousand as compared to PLN +60,858 thousand in Q3 2016. The positive cash flows from financing activities in Q3 this year were composed primarily of inflows from a bond issue by Rottneros AB. The positive cash flows from financing activities in Q3 2016 were composed primarily of inflows from a bond issue by AP S.A. and under factoring contracts.

Cash flows from financing activities for three quarters of 2017 amounted to PLN +59,328 thousand as compared to PLN +43,323 thousand in the equivalent period of 2016. The positive cash flows from financing activities in 2017 are primarily due to inflows from a bond issue by Rottneros AB, partly set off with debt repayment under bank loans and overdraft facilities with interest, repayment of factoring obligations and dividend distribution to non-controlling shareholders, The positive cash flows from financing activities in 2016 are primarily due to inflows from a bond issue by AP S.A. and under factoring contracts, partly set off with debt repayment under bank loans and overdraft facilities with interest, and dividend distribution to non-controlling shareholders,

Summary of standalone financial results

Standalone income statement

Selected standalone income statement items

PLN thousand	3Q 2017	2Q 2017	3Q 2016	YTD 2017	YTD 2016	Change % 3Q2017/ 2Q2017	Change % 3Q2017/ 3Q2016	Change % YTD 2017/ YTD 2016
Sales revenues	**12 226**	**57 521**	**10 672**	**81 526**	**70 061**	**(79)**	**15**	**16**
of which:								
Revenues from sales of services	*7 510*	*11 715*	*10 194*	*29 797*	*30 239*	*(36)*	*(26)*	*(1)*
Interest income on loans	*1 126*	*982*	*114*	*3 317*	*366*	*15*	*884*	*806*
Dividend income	*3 589*	*44 823*	*364*	*48 412*	*39 457*	*(92)*	*-*	*23*
Profit on sales	12 226	57 521	9 072	81 526	65 048	(79)	35	25
% of sales revenues	*100,00*	*100,00*	*85,01*	*100,00*	*92,84*	*0,0 p.p.*	*15,0 p.p.*	*7,2 p.p.*
Selling and distribution costs	(637)	(1 400)	(1 016)	(3 056)	(3 057)	(55)	(37)	(0)
Administrative expenses	(8 150)	(11 938)	(7 981)	(29 451)	(26 532)	(32)	2	11
Other operating income	245	110	11	359	122	123	2 124	194
Other operating expenses	1 381	(35 043)	(8 519)	(34 601)	(29 229)	(104)	(116)	18
EBIT	**5 066**	**9 251**	**(8 432)**	**14 777**	**6 352**	**(45)**	**(160)**	**133**
% of sales revenues	*41,43*	*16,08*	*(79,01)*	*18,13*	*9,07*	*25,4 p.p.*	*120,4 p.p.*	*9,1 p.p.*
EBITDA	**5 183**	**9 367**	**(8 332)**	**15 119**	**6 650**	**(45)**	**(162)**	**127**
% of sales revenues	*42,39*	*16,28*	*(78,08)*	*18,54*	*9,49*	*26,1 p.p.*	*120,5 p.p.*	*9,1 p.p.*
Financial income	2 135	(2 279)	2	7 014	14	(194)	98 327	51 035
Financial expenses	(5 278)	(5 617)	(148)	(16 137)	(4 747)	(6)	3 463	240
Gross profit (loss)	**1 922**	**1 355**	**(8 578)**	**5 653**	**1 619**	**42**	**(122)**	**249**
Income tax	-	-	-	-	-	-	-	-
Net profit/(loss)	**1 922**	**1 355**	**(8 578)**	**5 653**	**1 619**	**42**	**(122)**	**249**
% of sales revenues	*15,72*	*2,36*	*(80,38)*	*6,93*	*2,31*	*13,4 p.p.*	*96,1 p.p.*	*4,6 p.p.*

Revenues, profit on sales

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

Sales revenues for Q3 2017 amounted to PLN 12,226 thousand and comprised services provided to Group companies (PLN 7,510 thousand), interest income on loans (PLN 1,126 thousand) and dividend income (PLN 3,589 thousand). In the equivalent period of the previous year, the standalone sales revenues amounted to PLN 10,672 thousand which included revenues from the services provided to Group companies (PLN 10,194 thousand), interest income on loans (PLN 114 thousand) and dividend income (PLN 364 thousand).

In the three quarters of 2017, the standalone sales revenues amounted to PLN 81,526 thousand which included revenues from the services provided to Group companies (PLN 29,797 thousand) and interest income on loans granted (PLN 3,317 thousand) and dividend income (PLN 48,412 thousand).

In the three quarters of 2016, the standalone sales revenues amounted to PLN 70,061 thousand which included revenues from the services provided to Group companies (PLN 30,239 thousand) and interest income on loans granted (PLN 366 thousand) and dividend income (PLN 39,457 thousand).

The growth of sales revenues in the three quarters of 2017 versus the equivalent period of 2016 was primarily due to an increase in dividend received and interest in loans granted to subsidiary companies.

Profit on sales amounted to PLN 9,072 thousand in Q3 2016 (PLN 8,758 thousand in Q3 2015) and PLN 65,048 thousand for the three quarters of 2016 (PLN 74,474 thousand for the three quarters of in 2015).

Selling and distribution costs

In Q3 2017 the Company recognised the amount of PLN 637 thousand as selling and distribution costs (PLN 1,016 thousand in Q3 2016). In the three quarters of 2017 the Company recognised the amount of PLN 3,056 thousand as selling and distribution costs (PLN 3,057 thousand in three quarters of 2016).

The selling and distribution costs relate fully to intermediation costs in pulp purchases.

Administrative expenses

In Q3 2017, the administrative expenses amounted to PLN 8,150 thousand which was an increase as compared to the equivalent period of the previous year by PLN 169 thousand. In the three quarters of 2017, administrative expenses amounted to PLN 29,451 thousand as compared to PLN 26,532 thousand in the equivalent period of 2016.

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

Other operating income and expenses

Other operating income amounted to PLN 245 thousand in Q3 2017 which was an increase as compared to the equivalent period of the previous year by PLN 11 thousand. Other operating expenses totalled PLN +1,381 thousand in Q3 2017 (PLN -8,519 thousand in the equivalent quarter of 2016). Other positive operating revenues in Q3 2017 were a result of a reversal of an impairment charge to a part of the loans granted to Arctic Paper Mochenwangen GmbH (APMW repaid loans to APSA in the amount of EUR 380 thousand in August 2017).

For the three quarters of 2017, the other operating income and other operating expenses amounted to PLN +359 thousand and PLN -34,601 thousand respectively, and for the equivalent period in 2016 – PLN +122 thousand and PLN -29,229 thousand.

The major growth of other operating expenses in the three quarters of 2017 was primarily due to a write-off of the value of interests in Arctic Paper Investment AB.

Financial income and financial expenses

In Q3 2017, the financial income amounted to PLN 2,135 thousand and was by PLN 2,133 thousand higher than generated in Q3 2016. The major positive value of financial revenues in Q3 2017 results from the net presentation of FX differences as a surplus of FX gains over FX losses (financial income) or as a surplus of FX losses over FX gains (financial expenses).

In Q3 2017, financial expenses amounted to PLN 5,278 thousand. In the equivalent period of 2016, the financial expenses amounted to PLN 148 thousand.

For three quarters of 2016, the financial income and expenses amounted to PLN +7,014 thousand and PLN -16,137 thousand respectively and for the equivalent period in 2016 – PLN +14 thousand and PLN -4,747 thousand respectively.

Financial expenses for the three quarters of 2017 related primarily to interest expense on loans received of PLN 10,303 and on the loan from Arctic Paper Finance AB (PLN 1,664 thousand) and from Mr Thomas Onstad (PLN 747 thousand).

Statement of financial position

Selected standalone balance sheet items

PLN thousand	30/09/2017	31/12/2016	30/09/2016	Change 30.09.2017 -31.12.2016	Change 30.09.2017 -30.09.2016
Fixed assets	773 701	809 158	845 821	(35 457)	(72 120)
Receivables	71 908	77 058	62 289	(5 150)	9 619
Other current assets	77 199	84 096	14 808	(6 897)	62 391
Cash and cash equivalents	16 520	10 863	104 149	5 657	(87 629)
Total assets	**939 328**	**981 176**	**1 027 068**	**(41 847)**	**(87 739)**
Equity	576 484	570 026	670 906	6 458	(94 422)
Short-term liabilities	139 967	133 979	194 362	5 988	(54 395)
Long-term liabilities	222 877	277 171	161 798	(54 295)	61 078
Total liabilities	**939 328**	**981 176**	**1 027 066**	**(41 849)**	**(87 738)**

As at 30 September 2017 total assets amounted to PLN 939,328 thousand as compared to PLN 981,176 thousand at the end of 2016.

Fixed assets

As at the end of September 2017 non-current assets represented nearly 82.4% of total assets which means that the share decreased (by 0.1 p.p.) compared to the end of 2016. The main item of non-current assets includes interests in subsidiaries. At the end of Q3 2017, the value was PLN 711,346 thousand as compared to PLN 741,674 thousand at the end of 2016. The change in value of interests in subsidiary entities was mostly due to an increase of the value of shares held in Arctic Paper Investment AB (PLN 2,616 thousand) and the write-off of interests in the company for PLN 32,944 thousand.

Current assets

As at the end of September 2017, current assets amounted to PLN 165,627 thousand as compared to PLN 172,017 thousand at the end of 2016. The level of current assets decreased at the end of September 2017, primarily with respect to trade receivables and other current assets. As at the end of Q3 2017, current assets represented 17.6% of total assets compared to 17.5% as at the end of the previous year.

As part of the current assets, receivables dropped by PLN 5,150 thousand, other current assets decreased by PLN 6,897 thousand while cash and cash equivalents increased by PLN 5,657 thousand.

Equity

As at the end of Q3 2017, the equity amounted to PLN 576,484 thousand as compared to PLN 570,026 thousand at the end of 2016. As at the end of September 2017, equity accounted for 61.4 % of balance sheet total vs. 58.1% of balance sheet total as at the end of 2016. The increase of equity is primarily due to the net profit for three quarters of 2017.

Short-term liabilities

As at the end of September 2017, short-term liabilities amounted to PLN 139,967 thousand (14.9% of balance sheet total) as compared to PLN 133,979 thousand as at the end of 2016 (13.7 % of balance sheet total).

Long-term liabilities

As at the end of September 2017, long-term liabilities amounted to PLN 222,877 thousand (23.7% of balance sheet total) as compared to PLN 277,171 thousand as at the end of 2016 (28.2% of balance sheet total).

The change in long-term liabilities in the analysed period was primarily due to repayment of the loan from Arctic Paper Finance AB (PLN 10,586 thousand) and from Mr Thomas Onstad (PLN 16,955 thousand).

Cash flows

Selected items of the standalone cash flow statement

PLN thousand	3Q 2017	2Q 2017	YTD 2017	YTD 2016	Change % 3Q'2017/ 2Q'2017	Change % YTD'2016/ YTD'2015
Cash flows from operating activities	11 200	48 676	65 940	(508)	(77,0)	(13 082,7)
of which:						
Gross profit	*1 921*	*1 355*	*5 653*	*1 619*	*41,8*	*249,3*
Depreciation and impairment of fixed assets	*117*	*116*	*342*	*298*	*1,4*	*14,9*
Changes to working capital	*(7 641)*	*(3 595)*	*4 668*	*12 737*	*112,6*	*(63,3)*
Net interest and dividends	*3 194*	*4 314*	*10 924*	*1 064*	*(26,0)*	*926,2*
Other adjustments	*13 608*	*46 486*	*44 353*	*(16 226)*	*(70,7)*	*(373,4)*
Cash flows from investing activities	(273)	(2 740)	(3 068)	(3 026)	(90,1)	1,4
Cash flows from financing activities	(9 779)	(37 437)	(57 216)	98 248	(73,9)	(158,2)
Total cash flows	**1 149**	**8 498**	**5 657**	**94 715**	**(86,5)**	**(94,0)**

The cash flow statement presents an increase in cash and cash equivalents in the three quarters of 2017 by PLN +5,657 thousand which includes:

- positive cash flows from operating activities of PLN +65,940 thousand,
- negative cash flows from investing activities of PLN -3,068 thousand,
- negative cash flows from financing activities of PLN -57,216.

Cash flows from operating activities

In the three quarters of 2017, net cash flows from operating activities amounted to PLN +65,940 thousand as compared to PLN -508 thousand in the equivalent period of 2016. The positive cash flows from operating activities in the three quarters of the current year were primarily due to the write-off of the interests in Arctic Paper Investment AB and a change of the balance of liabilities under cash-pooling.

Cash flows from investing activities

In the first nine months of 2017, cash flows from investing activities amounted to PLN -3,068 thousand as compared to PLN -3,026 thousand for three quarters of 2016.

Investing cash flows in 2017 were related to the acquisition of the interests in the subsidiary company Arctic Paper Investment AB.

Cash flows from financing activities

In 2017 cash flows from financing activities amounted to PLN -57,216 thousand as compared to PLN +98,248 thousand in 2016. The cash flows from financing activities in 2017 were related primarily to repayment of the loan to Arctic Paper Finance AB (PLN 10,586 thousand) and from Mr Thomas Onstad (PLN 16,955 thousand) and changed liabilities under loans.

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

Key factors affecting the performance results

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

- macroeconomic and other economic factors;
- paper prices;
- prices of pulp for Paper Mills, timber for Pulp Mills and electricity prices;
- currency fluctuations.

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 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.

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 Paper and Pulp Mills and chemical agents used for paper and pulp production. The Group's energy costs historically include mostly the costs of electricity, natural gas, coal and fuel oil. 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 those costs by the Companies, their fluctuations may have a significant impact on the Group's profitability.

A part of pulp is supplied to our Paper Mills from the Rottneros 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, our revenues and expenses are denominated in various foreign currencies and are not matched, therefore any appreciation of the currencies in which we incur expenses vis-a-vis the currencies in which we generate revenues will have adverse impact on our 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 dependent on 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 and a majority of costs related to the operations of the Mochenwangen Paper Mill), PLN (the majority of other costs incurred by the mill in Kostrzyn nad Odrą) and SEK (the majority of other costs incurred by the Munkedal and Grycksbo mills as well as the Rottneros and Vallvik Pulp Mills).

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

Unusual events and factors

In Q3 2017 there were no unusual events or factors.

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

In Q3 2017 there were no material changes in the Arctic Paper Group's structure that would have material influence on the financial result generated.

Other material information

Conclusion of a non-recourse factoring contract by Arctic Paper Munkedals AB

On 8 February 2017 Arctic Paper Munkedals AB as the seller and the Company as the guarantor entered into a factoring contract with assignment of receivables under the insurance contract with BGŻ BNP Paribas Faktoring sp. z o.o. as the factor. The contract provides for the provisions by the Factor of factoring services for AP Munkedals covering the acquisition of cash receivables due to AP Munkedals from its counterparties with the maximum factoring limit granted to AP Munkedals of PLN 35 million. Pursuant to the Factoring Contract, the Company shall perform the obligations of AP Munkedals under the Factoring Contract should AP Munkedals fails to perform such obligations in whole in part within the time specified in the Factoring Contract. The Company's liability remains valid until compliance with all obligations under the Factoring Contract, however no longer than 36 months of its termination and is capped to the amount of PLN 52.5 million.

Cash – pooling with BGŻ BNP Paribas and BZWBK

On 1 June 2017, cash pooling in EUR was activated in BGŻ BNP Paribas and in August 2017 cash pooling in PLN was activated in BZBWK within the Arctic Paper Group. The operation consists in pooling cash balances held by the individual system participants and setting them off with temporary shortages of funds with the other cash-pool participants. The solution is aimed at supporting effective cash management in the Group and minimising the costs of external funding sources by using the Group's own cash.

Repayment of the loan from Mr Thomas Onstad

On 7 July 2017, Arctic Paper SA repaid the loan from the owner Mr Thomas Onstad of EUR 4,000 thousand with interest.

Factors influencing the development of the Arctic Paper Group

Information on market trends

Supplies of fine paper

In Q3 2017, the Arctic Paper Group recorded an increased level of orders versus Q2 2017 by 2.0% and a decrease of orders versus the equivalent period of 2016 by 4.4%.

The data both for 2017 and prior periods does not include the facility in Mochenwangen where the activity was discontinued.

Source of data: Analysis by Arctic Paper

Paper prices

In Q3 2017, the average prices of high quality UWF paper grew by 4.8% while the prices of CWF paper grew by 5.5% versus equivalent prices at the end of 2016.

In the period from July to September 2017, the prices of uncoated wood-free paper (UWF) and coated wood-free paper (CWF) for selected markets: Germany, France, Spain, Italy and the UK, expressed in EUR and GBP, experienced very similar increases: by 2.2% and 2.5% respectively.

The average prices invoiced by Arctic Paper in EUR for comparable products in the segment of uncoated wood-free paper (UWF) grew from July to September 2017 by 1.9% versus the equivalent period in 2016 while in the segment of coated wood- free paper (CWF) the prices grew by 2.4%.

The average prices invoiced by Arctic Paper in 2017 and the prices in the reference periods do not include data from the Paper Mill in Mochenwangen where the production was discontinued.

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

Pulp prices

At the end of Q3 2017, the pulp prices reached the level of: NBSK – USD 906/ton and BHKP – USD 890/ton. The average pulp price in Q3 2017 was higher by 10.2% for NBSK and higher by 30% for BHKP, compared to the equivalent period of the previous year. The average pulp price in Q3 2017 was higher by 4% for NBSK and higher by 11.6% for BHKP as compared to Q2 2017.

The average cost of pulp per ton of produced paper as calculated for the AP Group, expressed in PLN, in Q3 2017 increased by 6.8% versus Q2 2017 and increased by 7.9% versus Q3 2016. The share of pulp costs in cost of paper sales in Q3 2016 of the current year amounted to 55% and was higher compared to the level recorded in Q3 2016 (53%).

In the first three quarters of 2017, the AP Group used pulp in the production process in the following structure: BHKP 73%, NBSK 19% and other 8%.

The average pulp costs at Arctic Paper and the consumption structure (2017 and the reference periods) do not cover the data from the Paper Mill in Mochenwangen where the activity was discontinued.

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

Currency exchange rates

The EUR/PLN exchange rate at the end of Q3 2017 was 4.3091 and was higher by 2% than at the end of Q2 2017 and lower by 0.1% than at the end of Q3 2016. The average exchange rate in Q3 2017 was higher by 1.0% than in Q2 2017 and was 4.2580 versus 4.2166. The average exchange rate in Q3 2017 was by 1.9% lower than in Q3 2016.

The EUR/SEK exchange rate at the end of September 2017 was 9.5928 versus 9.6517 at the end of H1 2017, and 9.6100 at the end of Q3 2016 which was a depreciation of EUR to SEK by 0.6% and 0.2% respectively.

For this pair, the mean exchange rate in Q3 was by 1.3% lower versus Q2 2017. The average exchange rate in Q3 2017 was 0.5% higher than in the corresponding period of 2016.

The changes mean an appreciation of SEK vis-a-vis EUR in Q3 2016 which had an unfavourable impact on the Group's financial results, primarily with reference to the sales revenues generated by the Swedish factories that rely on prices in EUR.

At the end of Q3 2017, the USD/PLN rate recorded a decrease by 1.5% versus the end of Q2 2017 and amounted to 3.6519. In Q3 2017, the mean exchange rate amounted to 3.6251 compared to 3.8307 in Q2 2017. That was a PLN appreciation to USD by 5.4%. At the end of Q3 2017, the USD/SEK rate was 8.1298 and was by 3.9% lower than at the end of Q2 2017. The mean exchange rate in Q3 2017 was 8.1381 which was a decrease by 7.5% versus the average exchange rate in Q2 2017.

The changes of the USD/SEK exchange rates favourably affected the costs incurred in USD by the Swedish Paper Mills, in particular the costs of pulp. With reference to the Paper Mill in Kostrzyn, the average monthly USD/PLN exchange rate remained relatively neutral with a material PLN depreciation at the end of the quarter.

At the end of September 2017, the EUR/USD rate amounted to 1.1800 compared to 1.1404 at the end of Q2 2016 and to 1.1183 at the end of September 2016. In terms of percentage, that means an appreciation of EUR to USD by 3.5% versus Q2 2017 and an appreciation of the currency by 5.5% versus the equivalent period of the previous year. In Q3 2017, the mean exchange rate of the pair amounted to 1.1749 compared to 1.1013 in Q2 2017 (+6.7%).

Further depreciation of SEK versus EUR has positively affected the Group's financial profit, mainly due to decreased sales revenues generated in EUR and translated into SEK. The appreciating PLN versus USD in Q3 2017, positively affected the purchase prices of raw materials for the paper mill in Kostrzyn. USD depreciating vis-a-vis SEK positively affected the costs in the paper mills in Sweden.

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:

- Demand for fine paper in Europe. Over the recent years there has been a major decrease of demand for fine paper in Europe (level of executed orders). Further adverse developments in the market situation may negatively affect the levels of orders placed with the Group's Paper Mills and, as a result, will have an adverse impact on the financial results of the Group.
- Price changes of fine paper. In particular, the possibility to raise 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 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

In Q3 2017 there were no material changes to the risk factors. Those were presented in detail in the semi-annual report for 2017.

Supplementary information

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 2017.

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

Company's shares or rights to shares held by managing and supervising persons

Managing and supervising persons	Number of shares or rights to shares as at 13.11.2017	Number of shares or rights to shares as at 28.08.2017	Change
Management Board			
Per Skoglund	-	-	-
Małgorzata Majewska-Śliwa	NA	-	-
Göran Eklund	-	-	-
Supervisory Board -			
Per Lundeen	14 760	14 760	-
Thomas Onstad	6 223 658	6 223 658	-
Roger Mattsson	-	-	-
Mariusz Grendowicz	-	-	-
Maciej Georg	-	-	-

Information on sureties and guarantees

As at 30 September 2017, the Group reported:

- pledge on properties of Arctic Paper Grycksbo AB resulting from a lease contract with Svenska Handelsbanken AB for SEK 85,000 thousand;
- pledge on properties of Arctic Paper Grycksbo AB resulting from a lease contract with Svenska Handelsbanken AB for SEK 20,000 thousand;
- pledge on properties of Arctic Paper Grycksbo AB resulting from an FPG contract in favour of the mutual life insurance company PRI for SEK 50,000 thousand;
- contingent liability under a guarantee for FPG in favour of the mutual life insurance company PRI for SEK 1,444 thousand at Arctic Paper Grycksbo AB and for SEK 758 thousand at Arctic Paper Munkedals AB;
- pledge on properties of Arctic Paper Munkedals AB resulting from an FPG contract in favour of the mutual life insurance company PRI for SEK 50,000 thousand;
- a contingent liability of Arctic Paper Munkedals AB related to a surety for the obligations of Kalltorp Kraft HB in the amount of SEK 1,624 thousand;
- mortgage on the properties held by Kalltorp Kraft HB for SEK 8,650 thousand;
- a bank guarantee in favour of Skatteverket Ludvika for SEK 135 thousand;
- a bank guarantee for Arctic Paper Grycksbo AB from Svenska Handelsbanken AB covering VAT liabilities in Norway for SEK 1,616 thousand;

- pledges on shares in subsidiary companies in the Rottneros Group for SEK 535,911 thousand under loan agreements concluded with Danske Bank;
- pledge on 19,950,000 shares of Rottneros AB under the loan agreement for EUR 10,000 thousand granted by Arctic Paper Finance AB to Arctic Paper S.A. and for EUR 10,000 thousand, granted by Mr Thomas Onstad to Arctic Paper Finance AB.

In connection with the term and revolving loan agreements, agreements relating to the bond issue and the intercreditor agreement (described in more detail in the note "Obtaining new financing") signed on 9 September 2016, on 3 October 2016 the Company signed agreements and statements pursuant to which collateral to the above debt and other claims would be established in favour of Bank BGŻ BNP Paribas S.A., acting as the Collateral Agent, that is

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

- financial and registered pledges on all shares and interests registered in Poland, owned by the Company and the Guarantors, in companies in the Company Group (with the exception of Rottneros AB, Arctic Paper Mochenwangen GmbH and Arctic Paper Investment GmbH), except the shares in the Company;
- mortgages on all properties located in Poland and owned by the Company and the Guarantors;
- registered pledges on all material rights and movable assets owned by the Company and the Guarantors, constituting an organised part of enterprise, located in Poland (with the exception of the assets listed in the Loan Agreement);
- assignment of (existing and future) insurance policies covering the assets of the Company and the Guarantors (with the exception of insurance policies listed in the Loan Agreement);
- declaration by the Company and the Guarantors on voluntary submission to enforcement, in the form of a notary deed;
- financial pledges and registered pledges on the bank accounts of the Company and the Guarantors, registered in Poland;
- powers of attorney to Polish bank accounts of the Company and the Guarantors, registered in Poland;
- subordination of the debt held by intragroup lenders (specified in the Intercreditor Agreement).

2. under Swedish law – Collateral Documents establishing the following Collateral:

- pledges on all shares and interests registered in Poland, owned by the Company and the Guarantors, in Group companies, with the exception of the shares in the company, as well as pledged on the shares in Rottneros (with the exception of the free package of shares in Rottneros);
- pledge on 58,280,883 shares in Rottneros AB;
- mortgages on all properties located in Sweden and owned by the Company and the Guarantors as long as such collateral covers solely the existing mortgage deeds;
- corporate mortgage loans granted by the Guarantors registered in Sweden as long as such collateral covers solely the existing mortgage deeds;
- assignment of (existing and future) insurance policies covering the assets of the Company and the Guarantors (with the exception of insurance policies listed in the Loan Agreement);
- pledges on Swedish bank accounts of the Company and the Guarantors as long as such collateral is without prejudice to free management of funds deposited on bank accounts until an event of default specified in the Loan Agreement.

Material off-balance sheet items

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

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

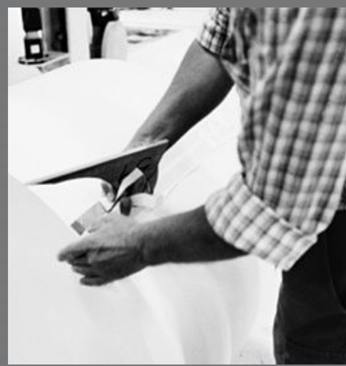
During the period under report, Arctic Paper S.A. and its subsidiaries were not a party to any proceedings pending before a court, arbitration or public administrative authority, the individual or joint value of which would equal or exceed 10% of the Company's equity.

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

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

Signatures of the Members of the Management Board

Position	First and last name	Date	Signature
President of the Management Board Managing Director	Per Skoglund	13 November 2017	
Member of the Management Board Financial Director	Göran Eklund	13 November 2017	



Abbreviated quarterly consolidated statements for the period of nine months ended on 30 September 2017

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Consolidated financial statements and selected financial data

Selected consolidated financial data

	Period from 01.01.2017 to 30.09.2017 PLN thousand	Period from 01.01.2016 to 30.09.2016 PLN thousand	Period from 01.01.2017 to 30.09.2017 EUR thousand	Period from 01.01.2016 to 30.09.2016 EUR thousand
Continuing operations				
Sales revenues	2 212 855	2 259 806	518 678	518 414
Operating profit (loss)	115 662	123 116	27 110	28 244
Gross profit (loss)	96 869	92 956	22 705	21 325
Net profit (loss) from continuing operations	75 534	69 189	17 705	15 872
Discontinued operations				
Profit (loss) from discontinued operations	(5 852)	(7 213)	(1 372)	(1 655)
Net profit (loss) for the financial year	69 682	61 976	16 333	14 218
Net profit (loss) for the financial year attributable to the shareholders of the Parent Entity	45 306	34 404	10 619	7 892
Net cash flows from operating activities	161 955	97 869	37 961	22 452
Net cash flows from investing activities	(126 536)	(115 973)	(29 659)	(26 605)
Net cash flows from financing activities	59 328	43 323	13 906	9 938
Change in cash and cash equivalents	94 746	25 219	22 208	5 785
Weighted average number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
Diluted weighted average number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
EPS (in PLN/EUR)	0,65	0,50	0,15	0,11
Diluted EPS (in PLN/EUR)	0,65	0,50	0,15	0,11
Mean PLN/EUR exchange rate*			4,2663	4,3591

	As at 30 September 2017 PLN thousand	As at 31 December 2016 PLN thousand	As at 30 September 2017 EUR thousand	As at 31 December 2016 EUR thousand
Assets	1 930 327	1 770 081	447 965	400 109
Long-term liabilities	569 018	428 634	132 050	96 888
Short-term liabilities	555 822	580 457	128 988	131 206
Equity	790 448	742 902	183 437	167 925
Share capital	69 288	69 288	16 079	15 662
Number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
Diluted number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
Book value per share (in PLN/EUR)	11,41	10,72	2,65	2,42
Diluted book value per share (in PLN/EUR)	11,41	10,72	2,65	2,42
Declared or paid dividend (in PLN/EUR)	-	-	-	-
Declared or paid dividend per share (in PLN/EUR)	-	-	-	-
PLN/EUR exchange rate at the end of the period**	-	-	4,3091	4,4240

* – The profit and loss items have been translated at the mean arithmetic exchange rates published by the National Bank of Poland from the beginning of the year until the end of the period covered with the report.
** – Balance sheet items and book value per share have been translated at the mean arithmetic exchange rates published by the National Bank of Poland, prevailing on the balance sheet date.

Abbreviated consolidated financial statements for nine months ended on 30 September 2017 PLN thousand

Consolidated profit and loss account

	3-month period ended on 30 September 2017 (unaudited)	9-month period ended on 30 September 2017 (unaudited)	3-month period ended on 30 September 2016 (unaudited)	9-month period ended on 30 September 2016 (unaudited)
Continuing operations				
Revenues from sales of goods	735 866	2 212 855	759 981	2 259 806
Sales revenues	735 866	2 212 856	759 981	2 259 806
Costs of sales	(597 057)	(1 777 905)	(607 563)	(1 818 165)
Profit / (loss) on sales	138 809	434 950	152 418	441 641
Selling and distribution costs	(85 739)	(263 513)	(88 038)	(268 905)
Administrative expenses	(19 714)	(68 453)	(19 386)	(64 636)
Other operating income	10 430	32 708	11 327	50 279
Other operating expenses	(5 271)	(20 030)	(8 285)	(35 264)
Operating profit (loss)	38 515	115 662	48 035	123 116
Financial income	2 253	7 618	523	1 143
Financial expenses	(9 450)	(26 411)	(9 717)	(31 303)
Gross profit (loss)	31 317	96 869	38 842	92 956
Income tax	(5 683)	(21 335)	(6 325)	(23 767)
Net profit (loss) from continuing operations	25 634	75 534	32 517	69 189
Discontinued operations				
Profit (loss) for the financial year from discontinued	(1 849)	(5 852)	(873)	(7 213)
Net profit (loss) for the financial year	23 786	69 683	31 644	61 976
Attributable to:				
The shareholders of the Parent Entity, of which:	17 597	45 306	24 523	34 404
- profit (loss) from continuing operations	19 446	51 157	25 396	41 617
- profit (loss) from discontinued operations	(1 849)	(5 852)	(873)	(7 213)
Non-controlling shareholders, of which:	6 189	24 376	7 121	27 572
- profit (loss) from continuing operations	6 189	24 376	7 121	27 572
- profit (loss) from discontinued operations	-	-	-	-
	23 786	69 682	31 644	61 976
Earnings per share:				
– basic earnings from the profit/(loss) attributable to the shareholders of the Parent Entity	0,25	0,65	0,35	0,50
– basic profit/(loss) from continuing operations attributable to the shareholders of the Parent Entity	0,28	0,74	0,37	0,60
– diluted earnings from the profit attributable to the shareholders of the Parent Entity	0,25	0,65	0,35	0,50
– diluted profit from continuing operations attributable to the shareholders of the Parent Entity	0,28	0,74	0,37	0,60

Additional notes to the quarterly abbreviated consolidated financial statements provided on pages 54 to 82 form an integral part hereof

Abbreviated consolidated financial statements for nine months ended on 30 September 2017 PLN thousand

Consolidated statement of total comprehensive income

	3-month period ended on 30 September 2017 (unaudited)	9-month period ended on 30 September 2017 (unaudited)	3-month period ended on 30 September 2016 (unaudited)	9-month period ended on 30 September 2016 (unaudited)
Net profit / (loss) for the period	23 786	69 682	31 644	61 976
Items to recognise in profit/loss in future periods:				
Exchange difference on translation of foreign operations	12 649	(15 629)	(21 635)	(16 994)
Deffered tax on items recognised directly in equity	(4 172)	(1 512)	(4 004)	(6 769)
Valutation of derivatives	18 920	7 765	18 823	31 419
Other comprehensive income	27 398	(9 377)	(6 816)	7 656
Total comprehensive income	51 183	60 305	24 828	69 632
Total comprehensive income:				
Equity holders of the parent	34 427	39 530	22 855	43 274
Non-controlling interest	16 756	20 776	1 973	26 358

Abbreviated consolidated financial statements for nine months ended on 30 September 2017 PLN thousand

Consolidated balance sheet

	As at 30 September 2017 (unaudited)	As at 30 June 2017 (after review)	As at 31 December 2016 (audited)	As at 30 September 2016 (unaudited)
ASSETS				
Fixed assets				
Tangible fixed assets	791 902	767 334	774 818	733 838
Investment properties	4 074	4 074	4 074	3 982
Intangible assets	59 106	52 181	57 033	51 403
Interests in joint ventures	898	876	924	4 992
Other financial assets	22 851	9 009	10 913	6 939
Other non-financial assets	1 335	1 470	1 548	1 429
Deferred income tax asset	38 421	37 938	35 034	25 128
	918 587	872 881	884 343	827 712
Current assets				
Inventories	355 500	339 416	360 353	344 352
Trade and other receivables	395 630	340 942	343 496	395 745
Corporate income tax receivables	11 825	8 985	11 328	11 737
Other non-financial assets	13 133	14 398	16 492	16 105
Other financial assets	9 000	3 798	11 218	2 679
Cash and cash equivalents	222 736	100 821	130 157	211 923
	1 007 823	808 361	873 044	982 542
Assets related to discontinued operations	3 917	11 462	12 694	15 760
TOTAL ASSETS	1 930 327	1 692 704	1 770 081	1 826 014
EQUITY AND LIABILITIES				
Equity				
Equity (attributable to the shareholders of the Parent Entity)				
Share capital	69 288	69 288	69 288	69 288
Reserve capital	447 638	447 638	447 638	447 638
Other reserves	127 958	118 394	156 975	151 854
FX differences on translation	10 241	2 741	19 798	11 965
Retained earnings / Accumulated losses	(73 600)	(91 197)	(151 550)	(152 130)
Cumulated other comprehensive income related to discontinued opera	(11 966)	(11 733)	(12 120)	(9 229)
	569 558	535 130	530 028	519 385
Non-controlling stake	220 890	204 134	212 874	209 601
Total equity	790 448	739 265	742 902	728 986
Long-term liabilities				
Interest-bearing loans and borrowings	398 140	260 547	275 464	160 545
Provisions	88 257	86 102	90 313	80 575
Other financial liabilities	26 531	27 632	30 082	28 038
Deferred income tax liability	36 652	26 354	11 851	8 522
Accruals and deferred income	19 437	19 933	20 924	21 874
	569 018	420 568	428 634	299 554
Short-term liabilities				
Interest-bearing loans and borrowings	39 463	51 457	55 367	200 961
Other financial liabilities	12 219	10 784	26 686	88 615
Trade and other payables	421 276	364 375	399 727	370 808
Income tax liability	256	207	179	765
Accruals and deferred income	82 607	86 923	98 498	107 147
	555 822	513 746	580 457	768 296
Liabilities directly related to the discontinued operations	15 039	19 126	18 088	29 177
TOTAL LIABILITIES	1 139 879	953 439	1 027 179	1 097 027
TOTAL EQUITY AND LIABILITIES	1 930 327	1 692 704	1 770 081	1 826 014

Additional notes to the quarterly abbreviated consolidated financial statements provided on pages 54 to 82 form an integral part hereof

Abbreviated consolidated financial statements for nine months ended on 30 September 2017 PLN thousand

Consolidated cash flow statement

	3-month period ended on 30 September 2017 (unaudited)	9-month period ended on 30 September 2017 (unaudited)	3-month period ended on 30 September 2016 (unaudited)	9-month period ended on 30 September 2016 (unaudited)
Cash flows from operating activities				
Gross profit/(loss) on continuing operations	31 317	96 869	38 842	92 956
Gross profit/(loss) on discontinued operations	(1 856)	(5 873)	(878)	(8 212)
Gross profit (loss)	29 461	90 995	37 963	84 744
Adjustments for:				
Depreciation/amortisation	32 265	95 177	28 830	88 440
FX gains / (loss)	(370)	(1 429)	(1 097)	4 611
Net interest and dividends	6 081	16 157	5 576	17 059
Profit / loss from investing activities	(61)	(48)	(1 334)	(1 658)
Increase / decrease in receivables and other non-financial assets	(48 961)	(59 235)	(29 017)	(57 495)
Change to inventories	1 014	7 948	21 612	54 551
Increase (decrease) of liabilities except loans, borrowings, bonds and other financial liabilities	45 686	26 153	25 309	(49 484)
Changes in prepayments and accruals	(5 074)	(11 806)	(935)	(9 309)
Change in provisions	6	(722)	(1 910)	(30 103)
Income tax paid	(2 244)	(2 927)	(3 242)	(6 703)
Redemption effect of CO2 emission rights	-	-	42	410
Co-generation certificates	(395)	278	370	799
Other	772	1 413	318	2 006
Net cash flows from operating activities	58 181	161 955	82 485	97 869
Cash flows from investing activities				
Disposal of tangible fixed assets and intangible assets	62	182	1 215	1 935
Purchase of tangible fixed assets and intangible assets	(51 447)	(127 163)	(55 520)	(118 839)
Other capital outflows / inflows	0	445	930	930
Net cash flows from investing activities	(51 385)	(126 536)	(53 375)	(115 973)
Cash flows from financing activities				
Change to overdraft facilities	8 598	(38 880)	(17 584)	(19 378)
Repayment of financial leasing liabilities	(981)	(2 985)	(754)	(2 298)
Inflows from other financial liabilities	-	-	27 714	26 843
Repayment of other financial liabilities	383	(16 568)	(34 113)	(1 249)
Net inflows from bonds	175 461	175 461	99 312	99 312
Inflows from loans and borrowings	1 267	52 394	-	-
Borrowings and loans repaid	(59 102)	(76 152)	(8 822)	(26 498)
Dividend paid to non-controlling shareholders	-	(12 759)	-	(17 502)
Interest paid	(10 001)	(21 184)	(4 894)	(15 908)
Net cash flows from financing activities	115 625	59 328	60 858	43 323
Change in cash and cash equivalents	122 421	94 746	89 969	25 219
Net FX differences	2 099	(327)	(2 568)	(1 463)
Cash and cash equivalents at the beginning of the period	101 375	131 476	125 958	189 603
Cash and cash equivalents at the end of the period	225 895	225 895	213 359	213 359
including with restricted access	-	-	99 698	99 698

Additional notes to the quarterly abbreviated consolidated financial statements provided on pages 54 to 82 form an integral part hereof

Abbreviated consolidated financial statements for nine months ended on 30 September 2017 PLN thousand

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)	Cumulated other comprehensive income related to discontinued operations	Total	Equity attributable to non-controlling shareholders	Total equity
As at 01 January 2017	69 288	447 638	19 798	156 975	(151 550)	(12 120)	530 028	212 874	742 902
Net profit / (loss) for the period	-	-	-	-	45 306	-	45 306	24 376	69 682
Other comprehensive income (net) for the peric	-	-	(9 404)	3 627	-	-	(5 776)	(3 601)	(9 377)
Total comprehensive income for the period	-	-	(9 404)	3 627	45 306	-	39 530	20 775	60 305
Dividend distribution to non-controlling entities	-	-	-	-	-	-	-	(12 759)	(12 759)
Discontinued operations	-	-	(154)	-	-	154	-	-	-
Profit distribution	-	-	-	(32 644)	32 644	-	-	-	-
As at 30 September 2017 (unaudited)	69 288	447 638	10 241	127 958	(73 600)	(11 966)	569 558	220 890	790 448

Abbreviated consolidated financial statements for nine months ended on 30 September 2017 PLN thousand

	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)	Cumulated other comprehensive income related to discontinued operations	Total	Equity attributable to non-controlling shareholders	Total equity
As at 01 January 2016	69 288	447 638	21 810	127 976	(181 625)	(8 974)	476 111	200 744	676 856
Net profit (loss) for the financial year	-	-	-	-	39 946	-	39 946	21 080	61 026
Other comprehensive income (net) for the year	-	-	(2 234)	24 090	(7 886)	-	13 970	8 551	22 522
Total comprehensive income for the period	-	-	(2 234)	24 090	32 061	-	53 916	29 631	83 548
Dividend distribution to non-controlling entities	-	-	-	-	-	-	-	(17 502)	(17 502)
Discontinued operations	-	-	222		2 924	(3 146)	-	-	-
Profit distribution	-	-	-	4 909	(4 909)	-	-	-	-
As at 31 December 2016 (audited)	69 288	447 638	19 798	156 975	(151 550)	(12 120)	530 028	212 874	742 902

Abbreviated consolidated financial statements for nine months ended on 30 September 2017 PLN thousand

	Attributable to equityholders of the Company								
	Share capital	Share premium	Translation reserve	Other reserves	Retained earnings (losses)	Accumulated other comprehensive income associated with discontinued operations	Total	Non-controlling interest	Total equity
As at 1 January 2016	69 288	447 638	21 810	127 976	(181 625)	(8 974)	476 111	200 744	676 856
Net profit (loss) for the period	-	-	-	-	34 404		34 404	27 572	61 976
Other comprehensive income	-	-	(10 099)	18 969	-	-	8 870	(1 214)	7 656
Total comprehensive income	-	-	(10 099)	18 969	34 404	-	43 274	26 358	69 632
Payment of dividends to non-controlling interest	-	-	-	-	-	-	-	(17 502)	(17 502)
Discountinued operations	-	-	255	-	-	(255)	-	-	-
Profit/loss distribution	-	-	-	4 909	(4 909)	-	-	-	-
As at 30 September 2016 (unaudited)	69 288	447 638	11 965	151 854	(152 130)	(9 229)	519 385	209 601	728 986

Standalone financial statements and selected financial data

	Period from 01.01.2017 to 30.09.2017 PLN thousand	Period from 01.01.2016 to 30.09.2016 PLN thousand	Period from 01.01.2017 to 30.09.2017 EUR thousand	Period from 01.01.2016 to 30.09.2016 EUR thousand
Sales revenues	81 526	70 061	19 109	16 851
Operating profit (loss)	14 777	(20 285)	3 464	(4 879)
Gross profit (loss)	5 653	(25 018)	1 325	(6 018)
Net profit (loss) from continuing operations	5 653	(25 018)	1 325	(6 018)
Net profit (loss) for the financial year	5 653	(25 018)	1 325	(6 018)
Net cash flows from operating activities	65 940	(508)	15 456	(122)
Net cash flows from investing activities	(3 068)	(3 026)	(719)	(728)
Net cash flows from financing activities	(57 216)	98 248	(13 411)	23 631
Change in cash and cash equivalents	5 656	94 714	1 326	22 781
Weighted average number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
Diluted weighted average number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
EPS (in PLN/EUR)	0,08	(0,36)	0,02	(0,09)
Diluted EPS (in PLN/EUR)	0,08	(0,36)	0,02	(0,09)
Mean PLN/EUR exchange rate*			4,2663	4,1576

	As at 30 September 2017 PLN thousand	As at 31 December 2016 PLN thousand	As at 30 September 2017 EUR thousand	As at 31 December 2016 EUR thousand
Assets	939 328	981 176	217 987	221 785
Long-term liabilities	222 877	277 171	51 722	62 652
Short-term liabilities	139 967	133 979	32 482	30 285
Equity	576 484	570 026	133 783	128 849
Share capital	69 288	69 288	16 079	15 662
Number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
Diluted number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
Book value per share (in PLN/EUR)	8,32	8,23	1,93	1,86
Diluted book value per share (in PLN/EUR)	8,32	8,23	1,93	1,86
Declared or paid dividend (in PLN/EUR)	-	-	-	-
Declared or paid dividend per share (in PLN/EUR)	-	-	-	-
PLN/EUR exchange rate at the end of the period**			4,3091	4,4240

Abbreviated consolidated financial statements for nine months ended on 30 September 2017 PLN thousand

Standalone income statement

	3-month period ended on 30 September 2017 (unaudited)	9-month period ended on 30 September 2017 (unaudited)	3-month period ended on 30 September 2016 (unaudited)	9-month period ended on 30 September 2016 (unaudited)
Continuing operations				
Revenues from sales of services	7 510	29 797	10 194	30 239
Interest income on loans	1 126	3 317	114	366
Dividend income	3 589	48 412	364	39 457
Sales revenues	12 226	81 526	10 672	70 061
Interest expense to related entities	-	-	(1 600)	(5 013)
Profit / (loss) on sales	12 226	81 526	9 072	65 048
Other operating income	245	359	11	122
Selling and distribution costs	(637)	(3 056)	(1 016)	(3 057)
Administrative expenses	(8 150)	(29 451)	(7 981)	(26 532)
Other operating expenses	1 381	(34 601)	(8 519)	(55 866)
Operating profit (loss)	5 065	14 777	(8 432)	(20 285)
Financial income	2 135	7 014	2	14
Financial expenses	(5 278)	(16 137)	(148)	(4 747)
Gross profit (loss)	1 921	5 653	(8 578)	(25 018)
Income tax	-	-	-	-
Net profit (loss) from continuing operations	1 921	5 653	(8 578)	(25 018)
Discontinued operations				
Profit (loss) for the financial year from discontinued operations	-	-	-	-
Net profit (loss) for the financial year	1 921	5 653	(8 578)	(25 018)
Earnings per share:				
– basic earnings from the profit (loss) for the period	0,03	0,08	0,15	(0,36)
– basic earnings from the profit (loss) from continuing operations for the period	0,03	0,08	0,15	(0,36)

Abbreviated consolidated financial statements for nine months ended on 30 September 2017 PLN thousand

Standalone comprehensive income statement

	3-month period ended on 30 September 2017 (unaudited)	9-month period ended on 30 September 2017 (unaudited)	3-month period ended on 30 September 2016 (unaudited)	9-month period ended on 30 September 2016 (unaudited)
Net profit/(loss) for the reporting period	1 922	5 653	(8 578)	(25 018)
Other total comprehensive income	343	515		
Items to be reclassified to profit/loss in future reporting periods:				
FX differences on translation of foreign operations	(237)	289	435	328
Other comprehensive income (net)	(237)	289	435	328
Total comprehensive income	1 685	5 942	(8 143)	(24 690)

Abbreviated consolidated financial statements for nine months ended on 30 September 2017 PLN thousand

Standalone balance sheet

	As at 30 September 2017 (unaudited)	As at 30 June 2017 (after review)	As at 31 December 2016 (audited)	As at 30 September 2016 (unaudited)
ASSETS				
Fixed assets				
Tangible fixed assets	1 875	1 968	1 979	1 836
Intangible assets	1 548	1 507	1 332	1 335
Shares in subsidiaries	711 346	711 346	741 674	753 811
Other financial assets	57 870	64 931	62 905	-
Other non-financial assets	1 062	1 202	1 268	1 066
	773 701	780 954	809 158	758 048
Current assets				
Trade and other receivables	71 547	62 887	76 687	61 864
Income tax receivables	361	274	371	425
Other financial assets	72 459	76 513	77 332	11 285
Other non-financial assets	4 740	5 170	6 765	3 523
Cash and cash equivalents	16 520	15 370	10 863	104 149
	165 627	160 214	172 017	181 245
TOTAL ASSETS	939 328	941 168	981 176	939 294
EQUITY AND LIABILITIES				
Equity				
Share capital	69 288	69 288	69 288	69 288
Reserve capital	447 641	447 641	447 641	447 641
Other reserves	115 498	115 155	148 200	152 781
FX differences on translation	639	877	350	618
Retained earnings / Accumulated losses	(56 583)	(58 504)	(95 453)	(87 194)
Total equity	576 484	574 456	570 026	583 134
Long-term liabilities				
Interest-bearing loans and borrowings	221 243	229 823	275 514	160 441
Provisions	1 320	1 287	1 357	1 112
Other long-term liabilities	314	374	300	246
	222 877	231 483	277 171	161 798
Short-term liabilities				
Interest-bearing loans and borrowings	71 618	69 223	48 894	125 295
Trade payables	53 352	51 112	73 472	59 947
Other financial liabilities	5 437	5 348	4 486	192
Other short-term liabilities	1 525	1 475	2 072	1 716
Accruals and deferred income	8 035	8 071	5 056	7 212
	139 967	135 228	133 979	194 362
TOTAL LIABILITIES	362 844	366 712	411 151	356 160
TOTAL EQUITY AND LIABILITIES	939 328	941 168	981 176	939 294

Abbreviated consolidated financial statements for nine months ended on 30 September 2017 PLN thousand

Standalone cash flow statement

	3-month period ended on 30 September 2017 (unaudited)	9-month period ended on 30 September 2017 (unaudited)	3-month period ended on 30 September 2016 (unaudited)	9-month period ended on 30 September 2016 (unaudited)
Cash flows from operating activities				
Gross profit (loss)	1 922	5 653	(8 578)	1 619
Adjustments for:				
Depreciation/amortisation	117	342	100	298
FX gains / (loss)	5 150	289	435	329
Impairment of assets	-	32 944	-	-
Net interest and dividends	3 194	10 924	359	1 064
Increase / decrease in receivables and other non-financial assets	(8 090)	7 370	9 159	19 267
Increase / decrease in liabilities except for loans, borrowings and debt secu	(12 087)	(35 040)	(2 649)	(9 613)
Change in accruals and prepayments	(22)	2 993	1 637	3 123
Change in provisions	33	(37)	(52)	(39)
Income tax paid	(87)	10	(155)	(232)
Increase / decrease in cash-pooling	12 524	29 383	-	-
Increase / decrease of loans granted to subsidiaries	7 530	10 595	(2 698)	(16 323)
Settlements within the tax group	1 015	515	-	-
Net cash flows from operating activities	11 200	65 940	(2 442)	(508)
Cash flows from investing activities				
Purchase of tangible fixed and intangible assets	(273)	(453)	(44)	(183)
Purchase of interest in subsidiary entity	-	(2 615)	-	(2 843)
Net cash flows from investing activities	(273)	(3 068)	(44)	(3 026)
Cash flows from financing activities				
Inflows from loans and borrowings	-	16 625	-	-
Net inflows from bonds	-	-	99 312	99 312
Repayment of loan liabilities	(12 887)	(30 059)	-	-
Change of balance of working capital loans	8 263	(32 650)	-	-
Interest paid	(5 072)	(10 924)	(359)	(1 064)
Repayment of obligations under financial leases	(83)	(209)	-	-
Net cash flows from financing activities	(9 779)	(57 216)	98 953	98 248
Change in cash and cash equivalents	1 148	5 656	96 467	94 714
Cash and cash equivalents at the beginning of the period	15 370	10 863	7 681	9 435
Cash and cash equivalents at the end of the period	16 519	16 519	104 149	104 149

Abbreviated consolidated financial statements for nine months ended on 30 September 2017 PLN thousand

Standalone statement of changes in equity

	Share capital	Reserve capital	FX differences on translation of foreign operations	Other reserves	Retained earnings / (Accumulated losses)	Total equity
As at 01 January 2017	69 288	447 641	350	148 200	(95 452)	570 026
Adjustment of previous years' errors						
Net profit for the period	-	-	-	-	5 653	5 653
Other comprehensive income (net) for the period	-	-	289	515	-	804
Total comprehensive income for the period	-	-	289	515	5 653	6 457
Profit distribution	-	-	-	(33 217)	33 217	-
As at 30 September 2017 (unaudited)	69 288	447 641	639	115 498	(56 583)	576 483

	Share capital	Reserve capital	FX differences on translation of foreign operations	Other reserves	Retained earnings / (Accumulated losses)	Total equity
As at 01 January 2016	69 288	447 641	290	147 871	3 870	668 958
Adjustment of previous years' errors					(61 136)	(61 136)
Net profit / loss for the year	-	-	-	-	(32 516)	(32 516)
Other comprehensive income (net) for the year	-	-	60	(4 580)	-	(4 520)
Total comprehensive income for the period	-	-	60	(4 580)	(32 516)	(37 036)
Profit distribution	-	-	-	4 909	(4 909)	-
Change to nominal value of the shares	-	-	-	-	-	-
Settlements within the tax group	-	-	-	-	(761)	(761)
As at 31 December 2016 (audited)	69 288	447 641	350	148 200	(95 452)	570 026

Additional notes to the quarterly abbreviated consolidated financial statements
provided on pages 54 to 82 form an integral part hereof

Abbreviated consolidated financial statements for nine months ended on 30 September 2017 PLN thousand

	Share capital	Reserve capital	FX differences on translation of foreign operations	Other reserves	Retained earnings / (Accumulated losses)	Total equity
As at 01 January 2016	69 288	447 641	290	147 871	3 870	668 958
Adjustment of previous years' errors					(61 136)	(61 136)
Net profit for the period	-	-	-	-	(25 018)	(25 018)
Other comprehensive income (net) for the period	-	-	328	-	-	328
Total comprehensive income for the period	-	-	328	-	(25 018)	(24 690)
Profit distribution	-	-		4 909	(4 909)	-
Settlements within the tax group	-	-	-	-	-	-
As at 30 September 2016 (unaudited)	69 288	447 641	618	152 780	(87 194)	583 132

Additional explanatory notes

1. General information

The Arctic Paper Group is a leading European producer in terms of production volume of bulky book paper, offering a broad range of products in the segment and one of the leading producers of high-quality graphic paper in Europe. 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. As of the day hereof, the Arctic Paper Group employs app. 1,750 people in its Paper Mills and Pulp Mills, companies dealing in paper distribution the procurement office. Our Paper Mills are located in Poland and Sweden, and have total production capacity of over 700,000 tons of paper per year. Paper production in the Paper Mill located in Germany, with total production output of 115,000 tons of paper annually, was discontinued at the end of 2015. The Pulp Mills are located in Sweden and have total production capacity of 400,000 tons of pulp per year. The Group has fourteen Sales Offices which handle distribution and marketing of products offered by the Group providing access to all European markets, including Central and Eastern Europe.

Our consolidated sales revenues for nine months of 2017 amounted to PLN 2,213 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 SA. Previously they were owned by Arctic Paper AB (now Trebruk AB), which was then the parent company 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 company listed on NASDAQ in Stockholm, Sweden, holding interests in two Pulp Mills (Sweden).

The Parent Entity is entered in the register of entrepreneurs of the National Court Register maintained by the District Court in Poznań – Nowe Miasto i Wilda, 8th Commercial Division of the National Court Register, under KRS number 0000306944. The Parent Entity holds statistical number REGON 080262255.

The quarterly abbreviated consolidated financial statements of the Company cover profit and loss account, statement of comprehensive income and a cash flow statement for the periods of three and nine months ended on 30 September 2017 and contains comparable data for the equivalent periods ended on 30 September 2016. The abbreviated quarterly consolidated financial statements of the Company comprise a statement of changes in equity for the period of nine months ended on 30 September 2017 and include comparative data for the equivalent period ended on 30 September 2016 as well as for the twelve month period ended on 31 December 2016.

The abbreviated quarterly consolidated financial statements of the Company comprise also a balance sheet as at 30 September 2017 and include comparative data as at 30 June 2017, 31 December 2016 and 30 September 2016.

Group Profile

The main area of the Arctic Paper Group's business activities is paper production.

The additional business activities of the Group, subordinated to paper production are:

- Production and sales of pulp,
- Generation of electricity,
- Transmission of electricity,
- Electricity distribution,
- Heat production,
- Heat distribution,

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- Logistics services,
- Paper distribution.

Shareholding structure

Nemus Holding AB, a company under Swedish law (a company owned indirectly by Mr Thomas Onstad), is the majority shareholder of Arctic Paper S.A., holding (as at 30 September 2017) 40,381,449 shares of our Company, which constitutes 58.28% of its share capital and corresponds to 58.28% of the total number of votes at General Meetings. Thus Nemus Holding AB is the parent entity of the Issuer.

Additionally, Mr Thomas Onstad, an indirect shareholder of Nemus Holding AB, holds directly 6,223,658 shares representing 8.98% of the total number of shares in the Company, and indirectly via an entity other than Nemus Holding AB – 600,000 shares accounting for 0.87% of the total number of shares of the Issuer.

The parent company of the Arctic Paper Group is Incarta Development S.A.

The duration of the Company is indefinite.

Composition of the Group

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

Unit	Registered office	Business objects	Group's interest in the equity of the subsidiary entities as at			
			13 November 2017	30 September 2017	28 August 2017	31 December 2016
Arctic Paper Kostrzyn S.A.	Poland, Fabryczna 1, 66-470 Kostrzyn nad Odrą	Paper production	100%	100%	100%	100%
Arctic Paper Munkedals AB	Sweden, SE 455 81 Munkedal	Paper production	100%	100%	100%	100%
Arctic Paper Mochenwangen GmbH	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Paper production	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, Quadrant House, 47 Croydon Road, Caterham, Surrey	Trading company	100%	100%	100%	100%
Arctic Paper Baltic States SIA	Latvia, K. Vardemara iela 33-20, Riga LV-1010	Trading company	100%	100%	100%	100%
Arctic Paper Deutschland GmbH	Germany, Am Sandtorkai 72, 20457 Hamburg	Trading company	100%	100%	100%	100%
Arctic Paper Benelux S.A.	Belgium, Ophemstraat 24, B-3050 Oud-Heverlee	Trading company	100%	100%	100%	100%
Arctic Paper Schweiz AG	Switzerland, Dörflistrasse 1, CH-8080 Zurich-Oerlikon	Trading company	100%	100%	100%	100%

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Unit	Registered office	Business objects	Group's interest in the equity of the subsidiary entities as at			
			13 November 2017	30 September 2017	28 August 2017	31 December 2016
Arctic Paper Italia srl	Italy, Via Cavriana 7, 20 134 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, 43 rue de la Breche aux Loups, 75012 Paris	Trading company	100%	100%	100%	100%
Arctic Paper Espana SL	Spain, Avenida Diagonal 472-474, 9-1 Barcelona	Trading company	100%	100%	100%	100%
Arctic Paper Papierhandels GmbH	Austria, Hainborgerstrasse 34A, A-1030 Wien	Trading company	100%	100%	100%	100%
Arctic Paper Polska Sp. z o.o.	Poland, Okrężna 9, 02-916 Warszawa	Trading company	100%	100%	100%	100%
Arctic Paper Norge AS	Norway, Rosenholmsveien 25, NO-1411 Kolbotn	Trading company	100%	100%	100%	100%
Arctic Paper Sverige AB	Sweden, SE 455 81 Munkedal	Trading company	100%	100%	100%	100%
Arctic Paper East Sp. z o.o.	Poland, Fabryczna 1, 66-470 Kostrzyn nad Odrą	Trading company	100%	100%	100%	100%
Arctic Paper Investment GmbH *	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Activities of holding companies	100%	100%	100%	100%
Arctic Paper Finance AB	Sweden, Box 383, 401 26 Göteborg	Activities of holding companies	100%	100%	100%	100%
Arctic Paper Verwaltungs GmbH *	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Activities of holding companies	100%	100%	100%	100%
Arctic Paper Immobilienverwaltung GmbH&Co. KG*	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Activities of holding companies	94,90%	94,90%	94,90%	94,90%
Arctic Paper Investment AB **	Sweden, Box 383, 401 26 Göteborg	Activities of holding companies	100%	100%	100%	100%
EC Kostrzyn Sp. z o.o.	Poland, ul. Fabryczna 1, 66-470 Kostrzyn nad Odrą	Rental of properties and machines and equipment	100%	100%	100%	100%
Arctic Paper Munkedals Kraft AB	Sweden, 455 81 Munkedal	Production of hydropower	100%	100%	100%	100%
Rottneros AB	Sweden, Sunne	Activities of holding companies	51,27%	51,27%	51,27%	51,27%
Rottneros Bruk AB	Sweden, Sunne	Pulp production	51,27%	51,27%	51,27%	51,27%
Utansjo Bruk AB	Sweden, Harnösand	Non-active company	51,27%	51,27%	51,27%	51,27%
Vallviks Bruk AB	Sweden, Söderhamn	Pulp production	51,27%	51,27%	51,27%	51,27%
Rottneros Packaging AB	Sweden, Stockholm	Production of food packaging	51,27%	51,27%	51,27%	51,27%
SIA Rottneros Baltic	Latvia, Ventspils	Procurement bureau	51,27%	51,27%	51,27%	51,27%

* – companies established for the purpose of the acquisition of Arctic Paper Mochenwangen GmbH
** – the company established for the purpose of the acquisition of Grycksbo Paper Holding AB

As at 30 September 2017 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.

On 1 October 2012, Arctic Paper Munkedals AB purchased 50% shares in Kalltorp Kraft Handelsbolaget with its registered office in Trolhattan, Sweden. Kalltorp Kraft is involved in the production of energy in its hydro power plant. The purpose of the purchase was to implement the strategy of increasing its own energy potential. The shares in Kalltorp Kraft were recognised as a joint venture and measured with the equity method.

2. Management and supervisory bodies

2.1. Management Board of the Parent Entity

As at 30 September 2017, the Parent Entity's Management Board was composed of:

- Per Skoglund – President of the Management Board appointed on 27 April 2016 (appointed as a Member of the Management Board on 27 April 2011);
- Göran Eklund – Member of the Management Board, nominated on 1 September 2017.

At its meeting on 30 August 2017, the Supervisory Board dismissed Ms Małgorzata Majewska-Śliwa from the position of a Member of the Management Board effective on 1 September 2017 and appointed Mr Göran Eklund to that position.

Since 30 September 2017 until the publication of these interim abbreviated consolidated financial statements there were no other changes to the composition of the Management Board of the Parent Entity.

2.2. Supervisory Board of the Parent Entity

As at 30 September 2017, 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 to the Supervisory Board appointed on 16 September 2014);
- Thomas Onstad – Member of the Supervisory Board appointed on 22 October 2008;
- Mariusz Grendowicz – Member of the Supervisory Board appointed on 28 June 2012 (independent member);
- Maciej Georg – Member of the Supervisory Board appointed on 14 September 2016 (independent member).

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

2.3. Audit Committee of the Parent Entity

As at 30 September 2017, the Parent Entity's Audit Committee was composed of:

- Rune Mattsson – Chairman of the Audit Committee appointed on 23 June 2016;
- Per Lundeen – Member of the Audit Committee appointed on 22 September 2016;
- Mariusz Grendowicz – Member of the Audit Committee appointed on 20 February 2013;
- Maciej Georg – Member of the Audit Committee appointed on 22 September 2016.

On 18 October 2017, the Supervisory Board approved changes to the composition of the Audit Committee; since that day, the composition has been as follows:

- Mariusz Glendowicz – Chairman of the Audit Committee appointed on 18 October 2017 (appointed as a Member of the Audit Committee on 20 February 2013);
- Rune Mattsson – Member of the Audit Committee appointed on 23 June 2016;
- Maciej Georg – Member of the Audit Committee appointed on 22 September 2016.

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

3. Approval of the financial statements

These abbreviated quarterly consolidated financial statements were approved for publication by the Management Board on 13 November 2017.

4. Basis of preparation of the consolidated financial statements

These abbreviated consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), in particular in accordance with International Accounting Standard No. 34 and IFRS endorsed by the European Union ("EU IFRS").

These 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.

The 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 2016.

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

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

5. Significant accounting principles (policies)

The accounting principles (policies) applied to prepare the abbreviated interim consolidated financial statements are compliant with those applied to the annual consolidated financial statements of the Group for the year ended on 31 December 2016.

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

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

The following standards and interpretations were issued by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretations Committee (IFRIC) but are not yet effective:

- IFRS 15 *Revenue from Contracts with Customers* (issued on 28 May 2014), including amendments to IFRS 15 *Effective date of IFRS 15* (issued on 11 September 2015) effective for financial years beginning on or after 1 January 2018, The Management Board made an analysis of the agreements and because of their nature and lack of non-standard provisions in the agreements the changes will not have a significant impact on the results of the Group.

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- IFRS 16 *Leases* (issued on 13 January 2016) – not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2019,

The Management Board considers the possible impact of the above-mentioned change on the accounting policies applied by the Group, but it does not expect that the introduction of the above-mentioned standard would have a significant impact on the Group.

5.2. Foreign currency translation

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

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

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

The following exchange rates were used for book valuation purposes:

	As at 30 September 2017	As at 31 December 2016
USD	3,6519	4,1793
EUR	4,3091	4,4240
SEK	0,4492	0,4619
DKK	0,5790	0,5951
NOK	0,4594	0,4868
GBP	4,8842	5,1445
CHF	3,7619	4,1173

Mean foreign exchange rates for the reporting periods are as follows:

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	01/01 - 30/09/2017	01/01 - 30/09/2016
USD	3,8382	3,9055
EUR	4,2663	4,3591
SEK	0,4453	0,4652
DKK	0,5736	0,5853
NOK	0,4623	0,4649
GBP	4,8886	5,4386
CHF	3,8997	3,9859

5.3. Data comparability

Additionally, the presentation was changed to the internal selling expenses and selling expenses and overheads in the consolidated profit and loss account for the period of 3 and 9 months ended on 30 September 2016 by increasing the selling expenses by PLN 25,960 thousand and PLN 79,655 thousand respectively and increasing the overheads by PLN 4,726 thousand and PLN 15,397 thousand respectively and decreasing the internal selling expenses by PLN 30,686 thousand and PLN 95,052 thousand respectively.

In the first three quarters of 2017 there were no other changes to the accounting policies that would result in changes to the comparable data.

6. Seasonality

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

7. Information on business segments

The principal operations of the Group are paper production which is conducted in three Paper Mills belonging to the Group and pulp production in two Pulp Mills.

The Group identifies four business segments:

- Uncoated paper – paper for printing or other graphic purposes, including wood-free and wood-containing paper. Uncoated wood-free paper may be produced from various types of pulp, with different filler content, and can undergo various finishing processes, such as surface sizing and calendering. Two main categories of this type of paper are graphic paper (used for example for printing books and catalogues) and office papers (for instance, photocopy paper); however, the Group currently does not produce office paper. Uncoated wood paper from mechanical pulp intended for printing or other graphic purposes. This type of paper is used for printing magazines with the use of rotogravure or offset printing techniques. The 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 printing quality of photographs and illustrations.
- Pulp – fully bleached sulphate pulp and unbleached sulphate pulp which is used mainly for the production of printing and writing papers, cardboard, toilet paper

and white packaging paper as well as chemi thermo mechanical pulp (CTMP) and groundwood which are used mainly for production of printing and writing papers.

- **Other** – the segment contains the results of Arctic Paper S.A. and Arctic Paper Finance AB business operations.

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

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

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

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

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

The table below presents data concerning revenues and profit as well as certain assets and liabilities split by segments of the Group for the period of 9 months ended on 30 September 2017 and as at 30 September 2017.

9-month period ended on 30 September 2017 and as at 30 September 2017

	Continuing Operations						
	Uncoated	Coated	Pulp	Other	Total	Exclusions	Total continuing operations
Revenues							
Sales to external customers	1 135 056	495 513	582 287	-	2 212 855	-	2 212 855
Sales between segments	-	15 500	48 305	29 890	93 695	(93 695)	-
Total segment revenues	1 135 056	511 012	630 592	29 890	2 306 550	(93 695)	2 212 855
Result of the segment							
EBITDA	106 149	(323)	105 989	(2 027)	209 788	1 050	210 838
Interest income	313	56	0	4 840	5 209	(4 865)	344
Interest expense	(2 975)	(3 216)	(2 227)	(11 293)	(19 711)	3 408	(16 303)
Depreciation/amortisation	(42 612)	(17 369)	(34 854)	(342)	(95 177)	-	(95 177)
FX gains and other financial income	2 987	1 164	445	55 342	59 938	(52 663)	7 275
FX losses and other financial expenses	(2 815)	(1 335)	(5 344)	(4 845)	(14 339)	4 230	(10 109)
Gross profit	61 046	(21 024)	64 010	41 675	145 708	(48 839)	96 869
Assets of the segment	890 060	258 162	782 537	390 800	2 321 560	(434 469)	1 887 091
Liabilities of the segment	379 980	359 634	336 002	362 843	1 438 459	(350 272)	1 088 187
Capital expenditures	56 355	4 204	66 355	249	127 163	-	127 163
Interests in joint ventures	898	-	-	-	898	-	898

- Revenues from inter-segment transactions are eliminated on consolidation.
- The results of the segments do not cover financial income (PLN 7,618 thousand of which PLN 344 thousand is interest income) and financial expenses (PLN 26,411 thousand of which PLN 16,303 thousand is interest expense), depreciation/amortisation (PLN 95,177 thousand), and income tax liability (PLN -21,335 thousand). However, segment result includes inter-segment loss (PLN 1,050 thousand).
- Assets and liabilities of segments do not contain any deferred income tax (asset: PLN 38,421 thousand), provision: PLN 36,652 thousand), since those items are managed at the Group level. Segment assets do not also include investments in companies operating within the Group.

The table below presents data concerning revenues and profit as well as certain assets and liabilities split by segments of the Group for the period of 3 months ended on 30 September 2017 and as at 30 September 2017.

3-month period ended on 30 September 2017 and on 30 September 2017

	Continuing Operations						
	Uncoated	Coated	Pulp	Other	Total	Exclusions	Total continuing operations
Revenues							
Sales to external customers	377 836	164 509	193 522	-	735 866	-	735 866
Sales between segments	-	4 871	16 755	7 510	29 136	(29 136)	-
Total segment revenues	377 836	169 380	210 276	7 510	765 003	(29 136)	735 866
Result of the segment							
EBITDA	38 903	773	31 633	(932)	70 377	403	70 780
Interest income	80	31	-	1 662	1 773	(1 652)	121
Interest expense	(737)	(1 062)	(2 004)	(3 563)	(7 366)	1 129	(6 237)
Depreciation/amortisation	(14 480)	(5 600)	(12 068)	(117)	(32 265)	-	(32 265)
FX gains and other financial income	780	647	0	5 678	7 104	(4 973)	2 132
FX losses and other financial expenses	(929)	(426)	(1 559)	(1 715)	(4 630)	1 417	(3 213)
Gross profit	23 618	(5 637)	16 002	1 012	34 994	(3 676)	31 317
Assets of the segment	890 060	258 162	782 537	390 800	2 321 560	(434 469)	1 887 091
Liabilities of the segment	379 980	359 634	336 002	362 843	1 438 459	(350 272)	1 088 187
Capital expenditures	28 917	638	21 830	63	51 447	-	51 447
Interests in joint ventures	898	-	-	-	898	-	898

- Revenues from inter-segment transactions are eliminated on consolidation.
- The results of the segments do not cover financial income (PLN 2,253 thousand of which PLN 121 thousand is interest income) and financial expenses (PLN 9,450 thousand of which PLN 6,237 thousand is interest expense), depreciation/amortisation (PLN 32,265 thousand), and income tax liability (PLN -5,683 thousand). However, segment result includes inter-segment loss (PLN 403 thousand).
- Assets and liabilities of segments do not contain any deferred income tax (asset: PLN 38,421 thousand), provision: PLN 36,652 thousand), since those items are managed at the Group level. Segment assets do not also include investments in companies operating within the Group.

The table below presents data concerning revenues and profit as well as certain assets and liabilities split by segments of the Group for the period of 9 months ended on 30 September 2016 and as at 30 September 2016.

9-month period ended on 30 September 2016 and as at 30 September 2016

	Continuing Operations						
	Uncoated	Coated	Pulp	Other	Total	Exclusions	Total continuing operations
Revenues							
Sales to external customers	1 174 057	524 632	561 117	-	2 259 806	-	2 259 806
Inter-segment sales	-	14 622	38 550	29 943	83 116	(83 116)	-
Total segment revenues	1 174 057	539 255	599 667	29 943	2 342 922	(83 116)	2 259 806
Segment's Result							
EBITDA	113 876	(5 727)	101 938	723	210 810	409	211 219
Interest Income	5 341	21	0	1 536	6 898	(6 689)	209
Interest Costs	(9 381)	(5 207)	-	(8 251)	(22 839)	5 538	(17 301)
Depreciation - without impairment	(39 325)	(20 146)	(28 335)	(298)	(88 103)	-	(88 103)
Positive FX and other financial income	69	-	930	39 963	40 963	(40 029)	933
Negative FX and other financial costs	(7 909)	(2 093)	(2 791)	(1 509)	(14 302)	300	(14 002)
Profit before tax	62 672	(33 152)	71 742	32 165	133 427	(40 471)	92 956
Segment assets	1 021 501	264 697	572 676	342 652	2 201 527	(421 394)	1 780 134
Segment liabilities	533 403	347 001	163 776	356 160	1 400 340	(341 012)	1 059 328
Capital expenditures	32 190	1 325	84 949	36	118 499	-	118 499
Shares in joint ventures	4 992	-	-	-	4 992	-	4 992

- Revenues from inter-segment transactions are eliminated on consolidation.
- The results of the segments do not cover financial income (PLN 1,143 thousand of which PLN 209 thousand is interest income) and financial expenses (PLN 31,303 thousand of which PLN 17,301 thousand is interest expense), depreciation/amortisation (PLN 88,103 thousand), and income tax liability (PLN -23,767 thousand). However, segment result includes inter-segment loss (PLN 409 thousand).
- Assets and liabilities of segments do not contain any deferred income tax (asset: PLN 25,128 thousand), provision: PLN 8,522 thousand), since those items are managed at the Group level. Segment assets do not also include investments in companies operating within the Group.

The table below presents data concerning revenues and profit as well as certain assets and liabilities split by segments of the Group for the period of 3 months ended on 30 September 2016 and as at 31 December 2016.

Three-month period ended on 30 September 2016 and on 31 December 2016

	Continuing Operations						
	Uncoated	Coated	Pulp	Other	Total	Exclusions	Total continuing operations
Revenues							
Sales to external customers	399 661	169 627	190 693	-	759 981	-	759 981
Sales between segments	(23)	4 788	12 028	10 285	27 078	(27 078)	-
Total segment revenues	399 638	174 415	202 721	10 285	787 059	(27 078)	759 981
Result of the segment							
EBITDA	44 537	4 085	27 615	-3	76 234	622	76 856
Interest income	1 720	(0)	-	592	2 312	(2 252)	60
Interest expense	(3 084)	(1 740)	-	(2 685)	(7 508)	1 763	(5 745)
Depreciation/amortisation	(13 351)	(6 265)	(9 104)	(100)	(28 821)	-	(28 821)
FX gains and other financial income	3	-	461	527	991	(527)	464
FX losses and other financial expenses	(3 185)	(710)	(912)	937	(3 870)	(101)	(3 971)
Gross profit	26 641	(4 629)	18 059	(732)	39 338	(496)	38 842
Assets of the segment	913 758	278 235	563 672	399 241	2 154 906	(433 476)	1 721 430
Liabilities of the segment	425 011	360 848	150 118	411 150	1 347 127	(349 886)	997 240
Capital expenditures	15 016	494	39 993	-	55 503	-	55 503
Interests in joint ventures	4 992	-	-	-	4 992	-	4 992

- Revenues from inter-segment transactions are eliminated on consolidation.
- The results of the segments do not cover financial income (PLN 523 thousand of which PLN 60 thousand is interest income) and financial expenses (PLN 9,717 thousand of which PLN 5,745 thousand is interest expense), depreciation/amortisation (PLN 28,821 thousand), and income tax liability (PLN -6,325 thousand). However, segment result includes inter-segment loss (PLN 622 thousand).
- Assets and liabilities of segments do not contain any deferred income tax (asset: PLN 35,034 thousand), provision: PLN 11,851 thousand), since those items are managed at the Group level. Segment assets do not also include investments in companies operating within the Group.

8. Discontinued operations

On 28 July 2015 the Management Board of Arctic Paper S.A. announced a Profitability Improvement Programme of the Group aimed at reducing the operating costs primarily by establishing shared service centres for Group companies, implementation of individual profitability improvement programmes in facilities and an audit of the costs of services provided by external entities.

At the same time, the Management Board of Arctic Paper announced that it had started an active search for an investor for the Arctic Paper Mochenwangen facility and in parallel analysed the possibility to take measures for further reduction of losses generated by the Paper Mill, including those relating to the discontinuation of operations. Due to the material significance of the part of the business pursued by AP Mochenwangen and the companies set up to acquire the Paper Mill and due to their operational and geographic separation, the Management Board treated the operations of the Mochenwangen Group as discontinued operations as at 31 December 2015. The Mochenwangen Group includes: Arctic Paper Mochenwangen GmbH, Arctic Paper Investment GmbH, Arctic Paper Verwaltungs GmbH and Arctic Paper Immobilienverwaltung GmbH Co&KG. As a result, the assets and liabilities of the Mochenwangen Group were presented as assets directly related to discontinued operations and liabilities directly related to discontinued operations respectively as at 30 June 2017 and 31 December 2016 while the revenues and expenses of the Group were presented as profit (loss) on discontinued operations in the consolidated profit and loss account for the period of 3 and 9 months ended on 30 September 2017 and as at 30 September 2016.

In view of a continued search for an investor for the factory of Arctic Paper Mochenwangen or its individual assets, the Management Board decided to treat the operations of the Mochenwangen Group as discontinued activities as at 30 September 2017. It is not the intention of the Management Board to individually sell each asset from discontinue activities.

The tables below present the corresponding financial data on the discontinued operations:

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Revenues and expenses of discontinued operations	9-month period ended on 30 September 2017 (unaudited)	9-month period ended on 30 September 2016 (unaudited)
Revenues from sales of goods	-	17 968
Costs of sales	(1 809)	(23 405)
Profit / (loss) on sales	(1 809)	(5 436)
Selling and distribution costs	(733)	(2 694)
Administrative expenses	(3 661)	(3 823)
Other operating income	917	6 741
Other operating expenses	(576)	(2 842)
Operating profit (loss)	(5 861)	(8 055)
Financial income	(0)	96
Financial expenses	(13)	(253)
Gross profit (loss)	(5 873)	(8 212)
Income tax	22	999
Profit (loss) from discontinued operations	(5 852)	(7 213)
Cumulated other comprehensive income related to discontinued operations		
FX differences on translation of foreign operations	154	(255)
Actuarial profit/loss	-	-
	154	(255)
Earnings per share:		
– basic profit/(loss) from discontinued operations attributable to the shareholders of the Parent Entity	(0,08)	(0,10)
– diluted profit from discontinued operations attributable to the shareholders of the Parent Entity	(0,08)	(0,10)

Net assets related to discontinued operations	As at 30 September 2017 (unaudited)	As at 31 December 2016 (audited)
Assets related to discontinued operations		
Inventories	112	10 618
Trade and other receivables	327	230
Corporate income tax receivables	125	128
Other financial assets	194	398
Cash and cash equivalents	3 159	1 320
	3 917	12 694
Liabilities directly related to the discontinued operations		
Provisions	14 217	15 406
Trade and other payables	598	2 435
Income tax liability	103	106
Accruals and deferred income	121	142
	15 039	18 088
Net assets related to discontinued operations	(11 122)	(5 394)

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Cash flows related to discontinued operations	9-month period ended on 30 September 2017	9-month period ended on 30 September 2016
Net cash flows from operating activities	1 855	(25 651)
Net cash flows from investing activities	-	1 513
Net cash flows from financing activities	-	24 515
Increase / (decrease) in cash and cash equivalents	1 855	378
Net FX differences	(16)	7
Cash and cash equivalents at the beginning of the period	1 320	1 051
Cash and cash equivalents at the end of the period	3 159	1 436

9. Dividend paid and proposed

9.1. Dividend disbursed and proposed to be disbursed by Arctic Paper S.A.

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

In accordance with provisions of the Code of Commercial Companies, the parent entity is obliged to establish reserve capital to cover potential losses. At least 8% of the profit for the financial year disclosed in the standalone financial statements of the parent 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 parent entity and cannot be distributed to other purposes.

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

The possibility of disbursement of potential dividend by the Company to its shareholders depends on the level of payments received from its subsidiaries. The risk associated with the Company's ability to disburse dividend was described in the part "Risk factors" of the annual report for 2016.

In connection with the term and revolving loan agreements signed on 9 September 2016, agreements related to the bond issue pursuant to which on 30 September 2016 the Company issued bonds and the intercreditor agreement, the possibility of the Company to pay dividend is subject to satisfying certain financial ratios by the Group in two periods preceding such distribution (as the term is defined in the term and revolving loan agreements) and no occurrence of any events of default (as defined in the term and revolving loan agreements).

The Company's General Meeting held on 09 June 2017 did not make any decision on dividend disbursement.

9.2. Dividend disbursed by Rottneros AB

At the General Meeting of Rottneros AB of 16 May 2017 adopted a resolution on dividend distribution of SEK 0.40 per share. The dividend was disbursed to Arctic Paper S.A. and to the non-controlling shareholders of Rottneros AB in the total amount of PLN 13 million (SEK 31 million).

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10. Earnings per share

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

Information regarding profit and the number of shares which constituted the base to calculate earnings per share and diluted earnings per share is presented below:

	3-month period ended on 30 September 2017 (unaudited)	9-month period ended on 30 September 2017 (unaudited)	3-month period ended on 30 September 2016 (unaudited)	9-month period ended on 30 September 2016 (unaudited)
Net profit / (loss) period from continuing operations attributable to the shareholders of the Parent Entity	19 446	51 157	25 396	41 617
Net profit / (loss) period from discontinued operations attributable to the shareholders of the Parent Entity	(1 849)	(5 852)	(873)	(7 213)
Net profit / (loss) attributable to the shareholders of the Parent Entity	17 597	45 306	24 523	34 404
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	0,25	0,65	0,35	0,50
– basic earnings profit/(loss) for the period from continuing operations attributable to the shareholders of	0,28	0,74	0,37	0,60
Diluted profit (loss) per share (in PLN)				
– from the profit/(loss) for the period attributable to the shareholders of the Parent Entity	0,25	0,65	0,35	0,50
– from the profit/(loss) for the period from continuing operations attributable to the shareholders of the Parent	0,28	0,74	0,37	0,60

11. Interest-bearing bank loans and bonds

In the period covered with these financial statements, the Group partly repaid its term loan and revolving loan under the loan agreement of 9 September 2016 with a bank consortium of PLN 13,104 thousand and PLN 32,650 thousand respectively. Additionally, over the period the Group increased its debt under the term loan to the bank consortium by PLN 16,768 thousand.

Additionally, the Group reduced its debt under the overdraft facility with Den Danske by PLN 6,235 thousand and increased and after a few months repaid its debt under the terms loans with the bank and with the Swedish Export Credit Corporation, totalling PLN 35,627 thousand.

In April 2017, the Group partly repaid its loan from the main shareholder (through Arctic Paper Finance AB), of PLN 10,464 thousand (PLN 2,500 thousand). On 7 July 2017, Arctic Paper SA fully repaid the loan from the main shareholder of EUR 16,955 thousand (PLN 4,000 thousand).

On 28 August 2017, in order to ensure long-term funding of investment activities for the development of its facilities (Agenda 500), Rottneros AB issued unsecured 5-year bonds for SEK 400 million (PLN 175 million net of the related issue costs) to institutional investors (Nordic). The bonds earn interest at STIBOR 3M+4.15%. The total value of the bonds to be issued is to be SEK 600 million. In order to have the bonds listed at NASDAQ, Stockholm, Rottneros completed the preparation and approval process of the bond issue prospectus by the Swedish supervisory commission.

On 1 June 2017, cash pooling in EUR was activated within the Arctic Paper Group, followed by cash-pooling in PLN on 21 August 2017. The operation consists in pooling cash balances held by the individual system participants and setting them off with temporary shortages of funds with the other cash-pool participants. The solution is aimed at supporting effective cash management in the Group and minimising the costs of external funding sources by using the Group's own cash.

The other changes to loans and borrowings as at 30 September 2017, compared to 31 December 2016 result mainly from balance sheet evaluation and payment of interest accrued as at 31 December 2016 and paid in Q1 2017.

The detailed terms and conditions of new loan agreements and bond issues of AP S.A. are specified in the annual consolidated financial statements for the year ended on 31 December 2016, note 32.2

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12. Equity securities

Share capital	As at 30 September 2017 (unaudited)	As at 31 December 2016 (audited)
series A ordinary shares of the nominal value of PLN 1 each	50	50
series B ordinary shares of the nominal value of PLN 1 each	44 254	44 254
series C ordinary shares of the nominal value of PLN 1 each	8 100	8 100
series E ordinary shares of the nominal value of PLN 1 each	3 000	3 000
series F ordinary shares of the nominal value of PLN 1 each	13 884	13 884
	69 288	69 288

	Registration date of capital increase	Number	Value in PLN
Ordinary issued and fully paid-up shares			
Issued on 30 April 2008	2008-05-28	50 000	50 000
Issued on 12 September 2008	2008-09-12	44 253 468	44 253 468
Issued on 20 April 2009	2009-06-01	32	32
Issued on 30 July 2009	2009-11-12	8 100 000	8 100 000
Issued on 01 March 2010	2010-03-17	3 000 000	3 000 000
Issued on 20 December 2012	2013-01-09	10 740 983	10 740 983
Issued on 10 January 2013	2013-01-29	283 947	283 947
Issued on 11 February 2013	2013-03-18	2 133 100	2 133 100
Issued on 06 March 2013	2013-03-22	726 253	726 253
As at 30 September 2017 (unaudited)		69 287 783	69 287 783

13. Financial instruments

The Group holds the following financial instruments: cash in bank accounts, loans and bonds, receivables, liabilities under financial leases, SWAP interest rate contracts, forward and FX options and forward contracts for the purchase of electricity and sale of pulp.

13.1. Hedge accounting

In order to reduce the volatility of the projected cash flows related to FX risk, the Group companies use FX risk hedging based on the use of derivatives related to the FX market. Those in particular are forward term contracts and options. Additionally, the Company enters into forward contracts for purchases of electrical energy and sale of pulp, and interest rate SWAP contracts.

As at 30 September 2017, the Group used cash flow hedge accounting for the following hedging items:

- Arctic Paper Kostrzyn S.A. and Arctic Paper S.A. designated for cash flow hedge accounting the FX corridor options derivatives in order to hedge a part of inflows in EUR related to exports and pulp purchases in USD,
- The Companies of Rottneros Group designated for cash flow hedge accounting the FX forward derivatives in order to hedge a part of inflows in EUR related to export sales.

- The Companies of Rottneros Group designated for cash flow hedge accounting the FX forward derivatives in order to hedge a part of inflows in USD related to export sales.
- Arctic Paper Munkedals AB, Arctic Paper Grycksbo AB and the companies of the Rottneros Group designated for cash flow hedge accounting the forward derivatives in order to hedge future purchases of electricity.
- the Companies of the Rottneros Group designated for cash flow hedge accounting the FX forward derivatives for the sale of pulp in order to hedge the sale prices of pulp in SEK,
- Arctic Paper S.A. designated SWAP derivatives to hedge accounting to hedge interest payments in EUR on a bank loan in EUR and interest payments in PLN on a bank loan in PLN,
- Arctic Paper S.A. designated floor option derivatives to hedge accounting to hedge cash flows, entitling to reduce EURIBOR for the interest rate of a part of the bank loan in EUR to the market level if the market EURIBOR falls under 0%.The Companies of Rottneros Group designated for cash flow hedge accounting the FX forward derivatives in order to hedge a part of inflows in EUR related to export sales.

Cash flow hedge accounting related to foreign currency trading using FX forward transactions and corridor options

The table below presents detailed information concerning the hedging relationship in the cash flow hedge accounting regarding the sale of USD for SEK:

Type of hedge	Cash flow hedge related to planned sales in foreign currencies
Hedged position	The hedged position is a part of highly likely future cash inflows for exports
Hedging instruments	FX forward contracts are used wherein the Company agrees to sell USD for SEK
Contract parameters:	
Contract conclusion dates	2 017
Maturity date	subject to contract; by 24.11.2017
Hedged amount	USD 6.5 M
Term exchange rate	7.97 USD/SEK

The table below presents detailed information concerning the hedging relationship in the cash flow hedge accounting regarding the sale of EUR for SEK:

Type of hedge	Cash flow hedge related to planned sales in foreign currencies
Hedged position	The hedged position is a part of highly likely future cash inflows for exports
Hedging instruments	FX forward contracts are used wherein the Company agrees to sell EUR for SEK
Contract parameters:	
Contract conclusion dates	2 017
Maturity date	subject to contract; by 17.11.2017
Hedged amount	EUR 2.1 M
Term exchange rate	9.53 EUR/SEK

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The table below presents detailed information concerning the hedging relationship in the cash flow hedge accounting regarding the sale of EUR for USD:

Type of hedge	Cash flow hedge related to planned sales in foreign currencies
Hedged position	The hedged position is a part of highly likely future cash inflows for exports
Hedging instruments	The hedging transactions - corridor FX options under which the Company acquired an option to sell EUR against USD and sold an opinion to buy EUR against USD
Contract parameters:	
Contract conclusion dates	05.05.2017
Maturity date	subject to contract; by 27.11.2017
Hedged amount	EUR 2.0 M
Term exchange rate	EUR/USD 1.0900 and 1.1000

Type of hedge	Cash flow hedge related to planned sales in foreign currencies
Hedged position	The hedged position is a part of highly likely future cash inflows for exports
Hedging instruments	The hedging transactions - corridor FX options under which the Company acquired an option to sell EUR against USD and sold an opinion to buy EUR against USD
Contract parameters:	
Contract conclusion dates	2017-07-26
Maturity date	subject to contract; by 27.12.2017
Hedged amount	EUR 3.0 M
Term exchange rate	EUR/USD 1.0700 and 1.1520

Type of hedge	Cash flow hedge related to planned sales in foreign currencies
Hedged position	The hedged position is a part of highly likely future cash inflows for exports
Hedging instruments	The hedging transactions - corridor FX options under which the Company acquired an option to sell EUR against USD and sold an opinion to buy EUR against USD
Contract parameters:	
Contract conclusion dates	2017-08-25
Maturity date	subject to contract; by 27.03.2017
Hedged amount	EUR 3.0 M
Term exchange rate	EUR/USD 1.0700 and 1.1700

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Type of hedge	Cash flow hedge related to planned sales in foreign currencies
Hedged position	The hedged position is a part of highly likely future cash inflows for exports
Hedging instruments	The hedging transactions - corridor FX options under which the Company acquired an option to sell EUR against USD and sold an opinion to buy EUR against USD
Contract parameters:	
Contract conclusion dates	21.07.2017
Maturity date	subject to contract; by 27.12.2017
Hedged amount	EUR 6.0 M
Term exchange rate	EUR/USD 1.0700 and 1.1450

Type of hedge	Cash flow hedge related to planned sales in foreign currencies
Hedged position	The hedged position is a part of highly likely future cash inflows for exports
Hedging instruments	The hedging transactions - corridor FX options under which the Company acquired an option to sell EUR against USD and sold an opinion to buy EUR against USD
Contract parameters:	
Contract conclusion dates	25.08.2017
Maturity date	subject to contract; by 29.03.2018
Hedged amount	EUR 6.0 M
Term exchange rate	EUR/USD 1.0700 and 1.1640

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

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

Type of hedge	Cash flow hedge related to planned purchases of electricity
Hedged position	The hedged position is a part of highly likely future cash flows for electricity purchases
Hedging instruments	Forward contract for the purchase of electricity at Nord Pool Exchange
Contract parameters:	
Contract conclusion date	individually per contract; from 01.06.2013
Maturity date	individually per contract; by 31.12.2021
Hedged quantity of electricity	1.498.000 MWh
Term price	from 16.50 to 33.75 EUR/MWh

Cash flow hedge accounting related to pulp sales with the use of forward transactions

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

of hedge	Cash flow hedge related to sales of pulp
ged position	The hedged position is a part of highly likely future cash inflows for pulp sales
ging instruments	Forward contracts are used as the hedging item wherein the Company agrees to sell pulp for SEK
tract parameters:	
ntract conclusion date	2 017
aturity date	individually per contract; by 31.12.2017
dged quantity of pulp	6,000 tons
rm price	SEK 7,150/ton

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

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

Type of hedge	The right to reduce cash flows under payment of interest due to decrease of EURIBOR below 0%
Hedged position	The hedged item are future EUR interest flows in EUR related to a loan in EUR calculated on the basis of 6M EURIBOR
Hedging instruments	The hedging item is a floor option under which the Company acquires the right to pay interest in EUR on the basis of EURIBOR below 0%
Contract parameters:	
Contract conclusion date	2016-11-21
Maturity date	each interest payment date in line with the payment schedule under the loan agreement; by 31.08.2022
Hedged value	interest payable in line with the payment schedule under the loan agreement of EUR 12 M

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Type of hedge	Hedge of cash flows related to variable interest rate on the EUR long-term loan
Hedged position	Future EUR interest flows on EUR loan calculated on the basis of 6M EURIBOR
Hedging instruments	SWAP transaction under which the Company agreed to pay interest in EUR on the EUR loan on the basis of a fixed interest rate
Contract parameters:	
Contract conclusion date	2016-11-21
Maturity date	each interest payment date in line with the payment schedule under the loan agreement; by 31.08.2021
Hedged value	interest payable in line with the payment schedule under the loan agreement of EUR 2.6 M

Type of hedge	Hedge of cash flows related to variable interest rate on the EUR revolving long-term loans
Hedged position	Future EUR interest flows on EUR loan calculated on the basis of 3M EURIBOR
Hedging instruments	SWAP transaction under which the Company agreed to pay interest in EUR on the EUR loan on the basis of a fixed interest rate
Contract parameters:	
Contract conclusion date	2016-11-21
Maturity date	each interest payment date in line with the payment schedule under the loan agreement; by 30.08.2019
Hedged value	interest payable in line with the payment schedule under the loan agreement of EUR 9.9 M.

Type of hedge	Hedge of cash flows related to variable interest rate on the EUR long-term loan
Hedged position	Future EUR interest flows on EUR loan calculated on the basis of 6M EURIBOR
Hedging instruments	SWAP transaction under which the Company agreed to pay interest in EUR on the EUR loan on the basis of a fixed interest rate
Contract parameters:	
Contract conclusion date	2017-07-18
Maturity date	each interest payment date in line with the payment schedule under the loan agreement; by 31.08.2022
Hedged value	interest payable in line with the payment schedule under the loan agreement of EUR 3.986 thousand

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

Type of hedge	Hedge of cash flows related to variable interest rate on the PLN long-term loan
Hedged position	Future PLN interest flows on PLN loan calculated on the basis of 6M WIBOR
Hedging instruments	SWAP transaction under which the Company agreed to pay interest in PLN on the PLN loan on the basis of a fixed interest rate
Contract parameters:	
Contract conclusion date	2016-11-21
Maturity date	each interest payment date in line with the payment schedule under the loan agreement; by 31.08.2021
Hedged value	interest payable in line with the payment schedule under the loan agreement of PLN 11.5 M

Type of hedge	Hedge of cash flows related to variable interest rate on the PLN revolving long-term loans
Hedged position	Future PLN interest flows on PLN loan calculated on the basis of 3M WIBOR
Hedging instruments	SWAP transaction under which the Company agreed to pay interest in PLN on the PLN loan on the basis of a fixed interest rate
Contract parameters:	
Contract conclusion date	2016-11-21
Maturity date	each interest payment date in line with the payment schedule under the loan agreement; by 30.08.2019
Hedged value	interest payable in line with the payment schedule under the loan agreement of PLN 10 M

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Type of hedge	Hedge of cash flows related to variable interest rate on the PLN bonds
Hedged position	Future PLN interest flows in PLN loan calculated on the basis of interest payments on PLN bonds at 6M WIBOR
Hedging instruments	The hedging item is a SWAP transaction under which the Company agreed to pay interest in PLN on the PLN bonds on the basis of a fixed interest rate
Contract parameters:	
Contract conclusion date	2016-11-21
Maturity date	each interest payment date in line with the payment schedule under the bond issue agreement; by 31.08.2021
Hedged value	interest payable in line with the payment schedule under of interest of PLN 100 M

Cash flow volatility hedge accounting related to a floor option

Type of hedge	The right to reduce cash flows under payment of interest due to decrease of EURIBOR below 0%
Hedged position	The hedged item are future EUR interest flows in EUR related to a loan in EUR calculated on the basis of 6M EURIBOR
Hedging instruments	The hedging item is a floor option under which the Company acquires the right to pay interest in EUR on the basis of EURIBOR below 0%
Contract parameters:	
Contract conclusion date	2016-11-21
Maturity date	each interest payment date in line with the payment schedule under the loan agreement; by 31.08.2022
Hedged value	interest payable in line with the payment schedule under the loan agreement of EUR 12 M

Type of hedge	The right to reduce cash flows under payment of interest due to decrease of EURIBOR below 0%
Hedged position	The hedged item are future EUR interest flows in EUR related to a loan in EUR calculated on the basis of 6M EURIBOR
Hedging instruments	The hedging item is a floor option under which the Company acquires the right to pay interest in EUR on the basis of EURIBOR below 0%
Contract parameters:	
Contract conclusion date	2017-07-18
Maturity date	each interest payment date in line with the payment schedule under the loan agreement; by 31.08.2022
Hedged value	interest payable in line with the payment schedule under the loan agreement of EUR 3.986 thousand

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The table below presents the fair value of hedging instruments in cash flow hedge accounting as at 30 September 2017 and the comparative data:

	Status as at 30 September 2017 (unaudited)		Status as at 31 December 2016 (audited)	
	Assets	Equity and Liabilities	Assets	Equity and Liabilities
FX forward	-	3 540	-	462
Forward on pulp sales	-	449	3 695	-
SWAP	-	3 592	-	4 580
Floor option	-	236	-	(343)
Forward for electricity	25 029	-	12 345	-
Total hedging derivative instruments	25 029	7 817	16 040	4 699

14. Financial risk management objectives and policies

The Group's principal financial instruments comprise bank loans and borrowings, bonds, financial leases and hire purchase contracts. The main purpose of those financial instruments is to raise finance for the Group's operations.

The Group also uses cash-pooling and it is aimed at supporting effective cash management in the Group and minimising the costs of external funding sources by using the Group's own cash.

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

In the opinion of the Management Board – in comparison to the annual consolidated financial statements made as at 31 December 2016 there have been no significant changes of the financial risk. There have been no changes to the objectives and policies of the management of the risk.

15. Capital management

The primary objective of the Group's capital management is maintaining a strong credit rating and healthy capital ratios in order to support its business operations and maximise shareholder value. In the Management Board's opinion – in comparison to the annual consolidated financial statements made as at 31 December 2016, there have been no significant changes to the objectives and policies of capital management.

16. Contingent liabilities and contingent assets

As at 30 September 2017, the Group reported:

- contingent liability under a guarantee for FPG in favour of the mutual life insurance company PRI for SEK 1,444 thousand (PLN 648 thousand) at Arctic Paper Grycksbo AB and for SEK 758 thousand (PLN 340 thousand) at Arctic Paper Munkedals AB;
- a contingent liability of Arctic Paper Munkedals AB related to a surety for the obligations of Kalltorp Kraft HB in the amount of SEK 1,624 thousand; (PLN 730 thousand);
- a bank guarantee in favour of Skatteverket Ludvika for SEK 135 thousand (PLN 61 thousand);

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- a bank guarantee for Arctic Paper Grycksbo AB from Svenska Handelsbanken AB covering VAT liabilities in Norway for SEK 1,616 thousand (PLN 726 thousand).

17. Legal claims

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

18. CO2 emission rights

Arctic Paper Kostrzyn S.A., Arctic Paper Munkedals AB, Arctic Paper Grycksbo AB and Arctic Paper Mochenwangen GmbH and the companies of the Rottneros Group, are all part of the European Union Emission Trading Scheme. The previous trading period lasted from 1 January 2008 to 31 December 2012. New allocations cover the period from 1 January 2013 to 31 December 2020.

The table below specifies the allocation for 2013-2020 approved by the European Union and the usage of the emission rights in each of the five entities in 2013, 2014, 2015, 2016 and in the first 9 months of 2017.

(in tons) for Arctic Paper Kostrzyn S.A.	2013	2014	2015	2016	2017	2018	2019	2020
Allocation*	108 535	105 434	102 452	99 840	97 375	94 916	92 454	90 009
Unused quantity from previous years	348 490	306 448	263 932	203 917	133 061	-	-	-
Issue	(150 577)	(147 950)	(162 467)	(170 696)	(102 776)			
Purchased quantity	-	-	-	-	-			
Sold quantity	-	-	-	-	-			
Unused quantity	306 448	263 932	203 917	133 061	127 660			

(in tons) for Arctic Paper Munkdals AB	2013	2014	2015	2016	2017	2018	2019	2020
Allocation	44 238	43 470	42 692	41 907	41 113	40 311	39 499	38 685
Unused quantity from previous years	24 305	67 262	107 325	17 559	(11 572)			
Issue	(1 281)	(3 407)	(32 465)	(21 038)	(30 686)			
Purchased quantity	-	-	7	-	-			
Sold quantity	-	-	(100 000)	(50 000)	-			
Unused quantity	67 262	107 325	17 559	(11 572)	(1 145)			

(in tons) for Arctic Paper Grycksbo AB	2013	2014	2015	2016	2017	2018	2019	2020
Allocation	77 037	75 689	74 326	72 948	71 556	70 151	68 730	67 304
Unused quantity from previous years	69 411	111 448	734	60	1 008			
Issue	-	-	-	-	-			
Purchased quantity	-	-	-	-	-			
Sold quantity	(35 000)	(186 403)	(75 000)	(72 000)	(70 000)			
Unused quantity	111 448	734	60	1 008	2 564			

(in tons) for the Rottneros Group	2013	2014	2015	2016	2017	2018	2019	2020
Allocation	30 681	30 484	29 938	29 387	28 830	28 268	27 698	27 127
Unused quantity from previous years	72 888	90 522	101 986	104 991	113 085			
Issue	(13 047)	(19 020)	(26 933)	(21 293)	(14 175)			
Purchased quantity	-	-	-	-	-			
Sold quantity	-	-	-	-	-			
Unused quantity	90 522	101 986	104 991	113 085	127 740			

* – the values are an estimate made by AP Kostrzyn on the basis of information on the allocation of emission rights for entities in the EU ETS system, calculated pursuant to the provisions of Art. 10a of the ETS Directive. As of the date hereof, no valid domestic Regulations exist.

19. Government grants and operations in the Special Economic Zone

19.1. Government grants

In the current period, the Group companies did not receive major subsidies with the exception of those disclosed in the consolidated financial statements for the year ended on 31 December 2016.

19.2. Operations in the Special Economic Zone

Arctic Paper Kostrzyn S.A. operates in the Kostrzyńsko-Słubicka Specjalna Strefa Ekonomiczna (Special Economic Zone) (KSSSE). Based on the permission issued by the Kostrzyńsko-Słubicka Specjalna Strefa Ekonomiczna S.A. it benefits from an investment tax relief as regards the activities carried out under the permission.

The tax exemption is of conditional nature. The provisions of the Act on special economic zones provide that such tax relief may be revoked if at least one of the following occurs:

- The Company ceases to conduct business operations in the zone for which it obtained the permission,
- The Company materially violates the conditions of the permission,
- The Company does not remedy errors/ irregularities identified during the course of inspections within the period of time specified in the order issued by minister competent for economic affairs,
- The Company transfers, in any form, the title to the assets to which the investment tax relief related within less than 5 years of introducing those assets to the fixed assets register,
- Machines and equipment will be handed over for business purposes outside the zone,
- The Company receives compensation, in any form, of the investment expenditure incurred,
- The Company goes into liquidation or if it is declared bankrupt.

Based on the permit issued on 25 August 2006 (with its subsequent updates), the Company may benefit from tax exemption until the end of operation by KSSSE or by 31 December 2026. The permit may be used subject to the incurrence of capital expenditures in the zone within the meaning of Art. 6 of the Regulation of the Council of Ministers of 14 September 2004 on the Kostrzyńsko-Słubicka Special Economic Zone, underlying the calculation of public aid in compliance with Art. 3 of the Regulation in excess of EUR 40,000,000 by 31 December 2013, translated at the EUR mean rate published by the President of the National Bank of Poland on the actual expenditure date. Creation in Zone minimum five new jobs within the meaning of Art. 3.3 and Art. 3.6 of the Regulation by 31 December 2011 and maintaining the employment level of minimum 453 people during the period from 1 January 2012 to 31 December 2013.

The conditions of the exemption have not changed in the reporting period. The Group was inspected by competent authorities. The inspection verified the compliance with all the requirements specified in the permit and was closed with a positive result.

During the period from 25 August 2006 to 30 September 2017, the Company incurred eligible investment expenditures classified as (non-discounted) expenditure in KSSSE in the amount of PLN 227,102 thousand. During the period, the discounted amount of related public aid was PLN 60,674 thousand.

If the eligible investment expenditures incurred are not covered with income of the current year, the Company recognises a deferred income tax asset on the surplus.

The amount of deferred income tax asset recognised with reference to the expenditures incurred in KSSSE amounted to PLN 9,586 thousand as at 30 September 2017.

20. Material events after the balance sheet date

After 30 September 2017 until the date hereof there were no other material events requiring disclosure in this report with the exception of those events that were disclosed in this report in paragraphs above.

Signatures of the Members of the Management Board

Position	First and last name	Date	Signature
President of the Management Board Managing Director	Per Skoglund	13 November 2017	
Member of the Management Board Financial Director	Göran Eklund	13 November 2017	

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