ARCTIC PAPER CAPITAL GROUP

Consolidated quarterly report
for Q3 2018

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Introduction

Information on the report

This Consolidated Quarterly Report for Q3 2018 was prepared in accordance with the Minister of Finance Regulation of 29 March 2018 on current and periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a third country may be recognised as equivalent (Journal of Laws of 2018, item 757) and a part of the interim abbreviated consolidated financial statements in accordance with International Accounting Standard No. 34.
The abbreviated consolidated financial statements do not comprise all information and disclosures required in the annual consolidated financial statements which are subject to mandatory audit and therefore they should be read in conjunction with the consolidated financial statements of the Group for the year ended on 31 December 2017.

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, with exclusion of retirement benefits)
Grycksbo Group	Arctic Paper Grycksbo AB and Arctic Paper Investment AB
Sales Offices	Arctic Paper Papierhandels GmbH with its registered office in Vienna (Austria);
	Arctic Paper Benelux SA with its registered office in Oud-Haverlee (Belgium);
	Arctic Paper Danmark A/S with its registered office in Greve (Denmark);
	Arctic Paper France SA with its registered office in Paris (France);
	Arctic Paper Deutschland GmbH with its registered office in Hamburg, (Germany);
	Arctic Paper Italia Srl with its registered office in Milan (Italy);
	Arctic Paper Baltic States SIA with its registered office in Riga (Latvia);
	Arctic Paper Norge AS with its registered office in Oslo (Norway);
	Arctic Paper Polska Sp. z o.o. with its registered office in Warsaw (Poland);
	Arctic Paper España SL with its registered office in Barcelona (Spain);
	Arctic Paper 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 Meeting, Company’s General Meeting	General Meeting of Arctic Paper S.A.
EGM, Extraordinary General Meeting, Issuer's Extraordinary General Meeting, Company's Extraordinary General Meeting	Extraordinary General Meeting of Arctic Paper S.A.
Articles of Association, Issuer's Articles of Association, Company’s Articles of Association	Articles of Association of Arctic Paper S.A.
SEZ	Kostrzyńsko-Słubicka Special Economic Zone
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
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
IFRS EU	International Financial Reporting Standards endorsed by the European Union
GDP	Gross Domestic Product

Other definitions and abbreviations

Series A Shares	50,000 Shares of Arctic Paper S.A. A series ordinary shares of PLN 1 each
Series B Shares	44,253,500 Shares of Arctic Paper S.A. B series ordinary shares of PLN 1 each
Series C Shares	8,100,000 Shares of Arctic Paper S.A. C series ordinary shares of PLN 1 each
Series E Shares	3,000,000 Shares of Arctic Paper S.A. E series ordinary shares of PLN 1 each

Series F Shares	13,884,283 Shares of Arctic Paper S.A. F series 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.

Selected consolidated and standalone financial data

Selected consolidated financial data

	Period from 01.01.2018 to 30.09.2018 PLN thousand	Period from 01.01.2017 to 30.09.2017 PLN thousand	Period from 01.01.2018 to 30.09.2018 EUR thousand	Period from 01.01.2017 to 30.09.2017 EUR thousand
Continuing operations				
Sales revenues	2 377 509	2 212 855	559 536	518 678
Operating profit (loss)	152 110	129 973	35 798	30 465
Gross profit (loss)	124 372	111 180	29 270	26 060
Net profit (loss) from continuing operations	93 149	86 697	21 922	20 321
Discontinued operations				
Profit (loss) from discontinued operations	(2 291)	(5 852)	(539)	(1 372)
Net profit (loss) for the financial year	90 859	80 845	21 383	18 950
Net profit (loss) for the financial year attributable to the shareholders of the Parent Entity	45 223	51 032	10 643	11 962
Net cash flows from operating activities	68 123	161 955	16 032	37 961
Net cash flows from investing activities	(114 739)	(126 536)	(27 003)	(29 659)
Net cash flows from financing activities	(12 112)	59 328	(2 851)	13 906
Change in cash and cash equivalents	(58 728)	94 746	(13 821)	22 208
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	0,74	0,15	0,17
Diluted EPS (in PLN/EUR)	0,65	0,74	0,15	0,17
Mean PLN/EUR exchange rate*			4,2491	4,2663

	As at 30 September 2018 PLN thousand	As at 31 December 2017 PLN thousand	As at 30 September 2018 EUR thousand	As at 31 December 2017 EUR thousand
Assets	2 131 437	1 900 325	499 002	455 615
Long-term liabilities	497 844	531 128	116 553	127 341
Short-term liabilities	755 855	576 276	176 957	138 166
Equity	876 161	791 294	205 123	189 718
Share capital	69 288	69 288	16 221	16 612
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)	12,65	11,42	2,96	2,74
Diluted book value per share (in PLN/EUR)	12,65	11,42	2,96	2,74
Declared or paid dividend (in PLN/EUR)	13 857 557	-	3 244 266	-
Declared or paid dividend per share (in PLN/EUR)	0,20	-	0,05	-
PLN/EUR exchange rate at the end of the period**	-	-	4,2714	4,1709

* - Profit and loss and cash flow statement items have been translated at the mean arithmetic exchange rates published by the National Bank of Poland, prevailing in the period that the presented data refers to.
** - Balance sheet items and book value per share have been translated at the mean arithmetic exchange rates published by the National Bank of Poland, prevailing on the balance sheet date.

Selected standalone financial data

	Period from 01.01.2018 to 30.09.2018 PLN thousand	Period from 01.01.2017 to 30.09.2017 PLN thousand	Period from 01.01.2018 to 30.09.2018 EUR thousand	Period from 01.01.2017 to 30.09.2017 EUR thousand
Sales revenues	69 287	81 526	16 306	19 109
Operating profit (loss)	42 002	14 777	9 885	3 464
Gross profit (loss)	28 979	5 653	6 820	1 325
Net profit (loss) from continuing operations	28 675	5 653	6 749	1 325
Net profit (loss) for the financial year	28 675	5 653	6 749	1 325
Net cash flows from operating activities	(90 408)	65 940	(21 277)	15 456
Net cash flows from investing activities	(199)	(3 068)	(47)	(719)
Net cash flows from financing activities	59 884	(57 216)	14 093	(13 411)
Change in cash and cash equivalents	(30 723)	5 656	(7 231)	1 326
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)	0,41	0,08	0,10	0,02
Diluted EPS (in PLN/EUR)	0,41	0,08	0,10	0,02
Mean PLN/EUR exchange rate*			4,2491	4,2663

	As at 30 September 2018 PLN thousand	As at 31 December 2017 PLN thousand	As at 30 September 2018 EUR thousand	As at 31 December 2017 EUR thousand
Assets	976 215	944 061	228 547	219 085
Long-term liabilities	160 075	207 214	37 476	48 087
Short-term liabilities	269 599	205 815	63 117	47 763
Equity	546 540	531 032	127 953	123 235
Share capital	69 288	69 288	16 221	16 079
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)	7,89	7,66	1,85	1,78
Diluted book value per share (in PLN/EUR)	7,89	7,66	1,85	1,78
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**			4,2714	4,3091

* - - Profit and loss and cash flow statement items have been translated at the mean arithmetic exchange rates published by the National Bank of Poland, prevailing in the period that the presented data refers to.

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

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

to the report for Q3 2018

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. 1,700 people in its Paper Mills, Pulp Mills, companies dealing in paper distribution and sales, and a company dealing in timber procurement for pulp production. Our paper mills are located in Poland and Sweden and have total production capacity of more than 700,000 metric tons of paper per year. 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 2018 amounted to PLN 2,378 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. The Company has a foreign branch in Göteborg, Sweden.

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 2018 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 250,000 tons per year and produces coated wood-free paper used for printing maps, books, magazines, posters and printing of advertising materials.

As on 30 September 2018 as well as on the day hereof, the Group owned the following Pulp Mills:
— The pulp mill in Rottneros (Sweden) has production capacity of about 160,000 tons annually and produces mainly two types of mechanical pulp: groundwood and chemi thermo mechanical pulp (CTMP);
— the Pulp Mill in Vallvik (Sweden) has the annual production capacity of about 240,000 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 the pulp which had been developed for years, made Vallvik a leader in supplies of such pulp. The pulp is used among others to produce transformers and in cable industry.

Our products

The product assortment of the Arctic Paper Group covers:

- Uncoated wood-free paper;
- Coated wood-free paper;
- Uncoated wood-containing paper;
- Sulphate pulp;
- Mechanical fibre pulp.

A detailed description of the Group's assortment is included in the consolidated annual report for 2017.

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 2018, 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 2018) 40,381,449 shares of our Company, which constitutes 58.28% of its share capital and corresponds to 58.28% of the total number of votes at General Meetings. Thus Nemus Holding AB is the parent entity of the Issuer.

Additionally, Mr Thomas Onstad, an indirect shareholder of Nemus Holding AB, holds directly 6,223,658 shares representing 8.98% of the total number of shares in the Company, and via another entity – 600,000 shares accounting for 0.87% of the total number of shares of the Issuer. Mr Thomas Onstad's total direct and indirect holding in the capital of Arctic Paper S.A. as at 30 September 2018 was 68.13% and has not changed until the date hereof.

as at 9.11.2018

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

as at 30.09.2018

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

as at 27.08.2018

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

The data in the above tables is provided as of the date hereof and as of the publication date of the report for H1 2018 and as at 30 September 2018.

Summary of consolidated financial results

Selected items of the consolidated profit and loss statement

PLN thousand	Q3 2018	Q2 2018	Q3 2017	YTD 2018	YTD 2017	Change % Q3 2018/ Q2 2018	Change % Q3 2018/ Q3 2017	Change % YTD 2018/ YTD 2017
Sales revenues	**812 371**	**781 013**	**735 866**	**2 377 509**	**2 212 855**	**4,0**	**10,4**	**7,4**
of which:								
Sales of paper	*591 808*	*558 761*	*542 344*	*1 724 190*	*1 630 568*	*5,9*	*9,1*	*5,7*
Sales of pulp	*220 563*	*222 252*	*193 522*	*653 320*	*582 287*	*(0,8)*	*14,0*	*12,2*
Profit / (loss) on sales	158 230	146 658	143 580	452 733	449 261	7,9	10,2	0,8
% of sales revenues	*19,48*	*18,78*	*19,51*	*19,04*	*20,30*	*0,7 p.p.*	*(0,0) p.p.*	*(1,3) p.p.*
Selling and distribution costs	(85 035)	(84 046)	(85 739)	(253 933)	(263 513)	1,2	(0,8)	(3,6)
Administrative expenses	(20 693)	(19 186)	(19 714)	(60 997)	(68 453)	7,9	5,0	(10,9)
Other operating income	14 993	7 176	10 430	33 987	32 708	108,9	43,8	3,9
Other operating expenses	(8 037)	(5 148)	(5 271)	(19 679)	(20 030)	56,1	52,5	(1,8)
EBIT	**59 459**	**45 454**	**43 285**	**152 110**	**129 973**	**30,8**	**37,4**	**17,0**
% of sales revenues	*7,32*	*5,82*	*5,88*	*6,40*	*5,87*	*1,5 p.p.*	*1,4 p.p.*	*0,5 p.p.*
EBITDA	**82 524**	**66 770**	**70 780**	**220 481**	**210 838**	**23,6**	**16,6**	**4,6**
% of sales revenues	*10,16*	*8,55*	*9,62*	*9,27*	*9,53*	*1,6 p.p.*	*0,5 p.p.*	*(0,3) p.p.*
Financial income	299	371	2 253	1 234	7 618	(19,3)	(86,7)	(83,8)
Financial expenses	(7 017)	(14 136)	(9 450)	(28 972)	(26 411)	(50,4)	(25,8)	9,7
Gross profit (loss)	**52 741**	**31 688**	**36 088**	**124 372**	**111 180**	**66,4**	**46,1**	**11,9**
Income tax	(9 553)	(11 125)	(6 732)	(31 222)	(24 484)	(14,1)	41,9	27,5
Net profit/(loss) from continuing operations	**43 188**	**20 563**	**29 355**	**93 149**	**86 697**	**110,0**	**47,1**	**7,4**
% of sales revenues	*5,32*	*2,63*	*3,99*	*3,92*	*3,92*	*2,7 p.p.*	*1,3 p.p.*	*0,0 p.p.*
Discontinued operations								
Net profit/ (loss) from discontinued	**(452)**	**(934)**	**(1 849)**	**(2 291)**	**(5 852)**	**(51,6)**	**(75,5)**	**(60,9)**
% of sales revenues	*(0,06)*	*(0,12)*	*(0,25)*	*(0,10)*	*(0,26)*	*0,1 p.p.*	*0,2 p.p.*	*0,2 p.p.*
Net profit/(loss)	**42 736**	**19 629**	**27 507**	**90 859**	**80 845**	**117,7**	**55,4**	**12,4**
% of sales revenues	*5,26*	*2,51*	*3,74*	*3,82*	*3,65*	*2,7 p.p.*	*1,5 p.p.*	*0,2 p.p.*
Net profit / (loss) attributable to the shareholders of the Parent Entity	25 321	4 069	19 506	45 223	51 032	522,4	29,8	(11,4)

Due to an adjustment of a previous years' error concerning verification of periods of economic useful lives of tangible fixed assets and intangible assets for Rottneros companies (described in note 6.5 of these interim abbreviated consolidated financial statements), the above data for Q3 2017 and YTD 2017 is not the data disclosed in the consolidated report for Q3 2017 of the Arctic Paper Group.

Additionally, a change was made of presentation of the results realised on term transactions hedging the pulp sale price in 2018. The results were transferred from other operating costs to revenues on pulp sales. In view of the above, the data for Q2 2018 is not the data disclosed in the Semi-annual Consolidated Report of the Arctic Paper Group for 2018. The above change did not affect EBIT, EBITDA and net profit.

Commentary of the President of the Management Board Per Skoglund on the results of Q3 2018

For the third quarter, Arctic Paper Group reached a turnover of PLN 812,4 million (compared to PLN 735,9 million in Q3, 2017). EBITDA rose by 16,6 percent to PLN 82,5 million (70,8 million), making the quarter the second best on consolidated level in the Group´s history. The paper segment increased its revenue to PLN 591,8 million (542,3 million) while EBITDA decreased to PLN 27,5 million (38,9 million).

For the paper segment, our efforts are starting to show results. The combination of a better product mix and price increases have partially, but still not fully, compensated for the increased pulp costs. Further price increases are being implemented during Q4 and we are working hard to recover our margins. Since summer, pulp prices have stabilised on a very high level.

Our paper production amounted in Q3 to 161,000 tonnes, comparable to last year. With pulp prices on a record high, and the subsequent need to raise graphical paper prices, the European graphical paper market demand/volume has dropped significantly during the second and third quarters. However, this has been compensated by increased market share and sales in the North American market.

The challenging market conditions once again stresses the value of combining our paper operations with our 51 percent ownership in the pulp producer Rottneros AB, which reached in Q3 2018 a turnover of SEK 601 million (SEK 472 million in Q3 2017) and a record EBITDA of SEK 136 million (66 million). The full report is available at http://www.rottneros.com/investors/financial-reports/

We are still in the process of implementing our new strategy – A Future in Paper. We feel confident that the actions we are undertaking leads us in the right direction towards our long term financial goal.

Revenues

In Q3 2018, the consolidated sales revenues amounted to PLN 812,371 thousand (sales of paper: PLN 591,808 thousand), pulp sales: PLN 220,563 thousand), as compared to PLN 735,866 thousand (sales of paper: PLN 542,344 thousand), pulp sales: PLN 193,522 thousand), in the equivalent period of the previous year. That means a growth by PLN 76,505 thousand (growth of paper sales by PLN 49,464 thousand, growth of pulp sales by PLN 27,041 thousand) and by +10.4% respectively (paper sales: +9.1%, pulp sales: +14.0%).

In the first nine months of 2018, the sales revenues amounted to PLN 2,377,509 thousand (sales of paper: PLN 1,724,190 thousand), pulp sales: PLN 653,320 thousand), as compared to PLN 2,212,855 thousand (sales of paper: PLN 1,630,568 thousand pulp sales: PLN 582,287 thousand), generated in the equivalent period of the previous year. That means a growth of revenues by PLN 164,654 thousand (growth of paper sales by PLN PLN 93,622 thousand), growth of pulp sales by PLN PLN 71,033 thousand), and by +7.4% respectively (paper sales: +5.7%, pulp sales: +12.2%).

Paper sales volume in Q3 2018 amounted to 162 thousand tons compared to 164 thousand tons in the same period of the previous year. The change represents a decrease of 2 thousand tons and by -1.2% respectively. Pulp sales volume in Q3 2018 amounted to 88 thousand tons compared to 88 thousand tons in the same period of the previous year.

Paper sales volume in the first three quarters of 2018 amounted to 490 thousand tons compared to 499 thousand tons in the same period of the previous year. The change represents a decrease of 9 thousand tons and by -1.8% respectively. Pulp sales volume in the first three quarters of 2018 amounted to 275 thousand tons compared to 273 thousand tons in the same period of the previous year. The change represents an increase of 2 thousand tons and by +0.7% respectively.

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

In Q3 2018, profit on sales amounted to PLN 158,230 thousand This result was by 10.2% higher than in the corresponding period of the previous year. Sales profit margin in the current quarter stood at 19.48% compared to 19.51% (-0.0 p.p.) in the equivalent period of the previous year. The core reason for the increased profit on sales in Q3 2018 versus the equivalent period of the previous year was a faster growth of sales revenues primarily due to growing PLN denominated sales prices than the growth of internal selling costs due mainly to a growth of consumption costs of pulp and energy.

For three quarters of 2018, profit on sales amounted to PLN 452,733 thousand. This result was by 0.8% higher than in the corresponding period of the previous year. Sales profit margin in the period stood at 19.04% compared to 20.30% (-1.3 p.p.) in the equivalent period of the previous year. The core reasons for the increased profit on sales in 9 months of 2018 versus the equivalent period of the previous year were faster growth of sales revenues primarily due to growing PLN denominated sales prices than the growth of internal selling costs due mainly to a growth of consumption costs of pulp and energy.

In Q3 2018, the selling and distribution costs amounted to PLN 85,035 thousand which was a decrease by 0.8% compared to the costs incurred in Q3 2017.

In three quarters of 2018, the selling and distribution costs amounted to PLN 253,933 thousand which was a decrease by 3.6% compared to the costs incurred in the equivalent period of 2017. The selling costs include primarily costs of transport of finished products to counterparties.

In Q3 2018, the administrative expenses amounted to PLN 20,693 thousand as compared to PLN 19,714 thousand in the equivalent period of 2017 (growth by 5.0%). The overheads are composed primarily of the costs of advisory and administrative services in the Group.

In three quarters of 2018, the administrative expenses amounted to PLN 60,997 thousand as compared to PLN 68,453 thousand in the equivalent period of 2017 which was a growth by 10.9%. The main reason of the decrease were lower costs related to consulting services rendered to the Group by third parties.

Other operating income and expenses

Other operating income amounted to PLN 14,993 thousand in Q3 2018 as compared to PLN 10,430 thousand in Q3 2017.

Other operating income amounted to PLN 33,987 thousand for three quarters of 2018 which was an increase as compared to the equivalent period of the previous year (by PLN 1,279 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 growth of other operating revenues in the current period was primarily due to sales of rights for CO2 emissions in Q1 and Q3 2018.

In Q3 2018, the other operating expenses amounted to PLN 8,037 thousand as compared to PLN 5,271 thousand in Q3 2017.

Other operating expenses amounted to PLN 19,679 thousand for three quarters of 2018 which was a decrease as compared to the equivalent period of the previous year by PLN 351 thousand.

The other operating expenses comprised mainly the costs of electricity and heat sales as well as the costs of other materials sold.

Financial income and financial expenses

Financial income in Q3 2018 amounted to PLN 299 thousand as compared to PLN 2,253 thousand incurred in Q3 2017.

In the first nine months 2018, the financial income amounted to PLN 1,234 thousand while in the equivalent period in 2017 it was PLN 7,618 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 2018, financial expenses amounted to PLN 7,017 thousand as compared to PLN 9,450 thousand incurred in Q3 2017.

Financial expenses for three quarters of 2018 amounted to PLN 28,972 thousand as compared to PLN 26,411 thousand incurred for three quarters of 2017. The higher financial expenses for three quarters of 2018 were primarily due to FX losses recorded as financial expenses.

Income tax

In Q3 2018, income tax amounted to PLN
-9,553 thousand while in the equivalent period in 2017 it was PLN -6,732 thousand.

The current portion of income tax in the analysed quarter of 2018 amounted to PLN -1,234 thousand while the deferred portion to PLN -8,319 thousand. In Q3 the previous year, the amount was PLN +318 thousand and PLN -7,050 thousand respectively.

For three quarters of 2018, income tax amounted to PLN -31,222 thousand while in the equivalent period in 2017 it was PLN -24,484 thousand.

The current portion of income tax in the analysed three quarters of 2018 amounted to PLN -4,351 thousand while the deferred portion to PLN -26,871 thousand. In the equivalent quarters of the previous year, the amount was PLN -2,743 thousand and PLN -21,741 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 2018, the loss on discontinued operations amounted to PLN 2,291 thousand (for 3 quarters of 2017: PLN 5,852 thousand).

Profitability analysis

In Q3 2018, the result on continuing operations amounted to PLN 59,459 thousand as compared to PLN 43,285 thousand in the equivalent period of the previous year. The changes resulted in a growth of operational profit margin from +5.9% in the Q3 2017 to +7.3% in Q3 the current year.

For three quarters of 2018, the result on continuing operations amounted to PLN 152,110 thousand as compared to PLN 129,973 thousand in the equivalent period of the previous year. The changes resulted in a growth of operational profit margin from +5.9% for three quarters of 2017 to +6.4% for three quarters of the current year.

EBITDA in Q3 2018 was PLN 82,524 thousand while in the equivalent period in 2017 it was PLN 70,780 thousand. In the reporting period, the EBITDA margin was 10.2% compared to 9.6% in the equivalent period of 2017.

EBITDA for three quarters of 2018 was PLN 220,481 thousand while in the equivalent period in 2017 it was PLN 210,838 thousand. In the reporting period, the EBITDA margin was 9.3% compared to 9.5% in the equivalent period of 2017.

In the current quarter of 2018, net profit amounted to PLN 42,736 thousand as compared to the net profit of PLN 27,507 thousand in Q3 2017.

In three quarters of 2018, net profit amounted to PLN 90,859 thousand as compared to the net profit of PLN 80,845 thousand in three quarters of 2017.

PLN thousand	Q3 2018	Q2 2018	Q3 2017	YTD 2018	YTD 2017	Change % Q3 2018/ Q2 2018	Change % Q3 2018/ Q3 2017	Change % YTD 2018/ YTD 2017
Profit on sales	158 230	146 658	143 580	452 733	449 261	7,9	10,2	0,8
% of sales revenues	*19,48*	*18,78*	*19,51*	*19,04*	*20,30*	*0,7 p.p.*	*(0,0) p.p.*	*(1,3) p.p.*
EBITDA	**82 524**	**66 770**	**70 780**	**220 481**	**210 838**	**23,6**	**16,6**	**4,6**
% of sales revenues	*10,16*	*8,55*	*9,62*	*9,27*	*9,53*	*1,6 p.p.*	*0,5 p.p.*	*(0,3) p.p.*
EBIT	**59 459**	**45 454**	**43 285**	**152 110**	**129 973**	**30,8**	**37,4**	**17,0**
% of sales revenues	*7,32*	*5,82*	*5,88*	*6,40*	*5,87*	*1,5 p.p.*	*1,4 p.p.*	*0,5 p.p.*
Net profit/(loss) from continuing operations	**43 188**	**20 563**	**29 355**	**93 149**	**86 697**	**110,0**	**47,1**	**7,4**
% of sales revenues	*5,32*	*2,63*	*3,99*	*3,92*	*3,92*	*2,7 p.p.*	*1,3 p.p.*	*0,0 p.p.*
Net profit/ (loss) from discontinued operations	**(452)**	**(934)**	**(1 849)**	**(2 291)**	**(5 852)**	**(51,6)**	**(75,5)**	**(60,9)**
% of sales revenues	*(0,06)*	*(0,12)*	*(0,25)*	*(0,10)*	*(0,26)*	*0,1 p.p.*	*0,2 p.p.*	*0,2 p.p.*
Net profit/(loss)	**42 736**	**19 629**	**27 507**	**90 859**	**80 845**	**117,7**	**55,4**	**12,4**
% of sales revenues	*5,26*	*2,51*	*3,74*	*3,82*	*3,65*	*2,7 p.p.*	*1,5 p.p.*	*0,2 p.p.*
Return on equity / ROE (%)	4,9	2,3	3,2	10,4	9,5	2,5 p.p.	1,6 p.p.	0,8 p.p.
Return on assets / ROA (%)	2,0	1,0	1,4	4,3	4,1	1,0 p.p.	0,6 p.p.	0,2 p.p.

In Q3 2018, return on equity was 4.9%, (10.4% for three quarters of 2018) while in Q3 2017 it was 3.2% (9.5% for three quarters of 2017).

In Q3 of 2018, return on equity was 2.0%, (4.3% for three quarters of 2018) while in the third quarter of 2017 it was 1.4% (4.1% for three quarters of 2017).

Selected items of the consolidated statement of financial position

PLN thousand	30.09.2018	31.12.2017	30.09.2017	Change 30.09.2018 -31.12.2017	Change 30.09.2018 -30.09.2017
Fixed assets	1 007 313	946 363	975 285	60 951	32 028
Inventories	439 420	350 996	355 500	88 424	83 920
Receivables	437 640	336 758	407 454	100 881	30 185
trade and other payables	*426 486*	*330 071*	*395 630*	*96 415*	*30 856*
Other current assets	63 908	20 734	22 133	43 174	41 775
Cash and cash equivalents	180 773	241 403	222 736	(60 630)	(41 964)
Assets related to discontinued operations	2 383	4 071	3 917	(1 687)	(1 534)
Total assets	**2 131 437**	**1 900 325**	**1 987 025**	**231 112**	**144 412**
Equity	876 161	791 294	847 146	84 866	29 015
Short-term liabilities	755 855	576 276	555 822	179 579	200 033
of which:					
trade and other payables	*481 940*	*423 868*	*421 276*	*58 072*	*60 664*
interest-bearing debt	*173 568*	*72 593*	*51 682*	*100 974*	*121 886*
other non-financial liabilities	*100 347*	*79 814*	*82 863*	*20 533*	*17 484*
Long-term liabilities	497 844	531 128	569 018	(33 284)	(71 173)
of which:					
interest-bearing debt	*314 678*	*376 521*	*424 672*	*(61 843)*	*(109 993)*
other non-financial liabilities	*183 166*	*154 607*	*144 346*	*28 559*	*38 820*
Liabilities directly related to the discontinued operations	1 576	1 626	15 039	(50)	(13 463)
Total equity and liabilities	**2 131 437**	**1 900 325**	**1 987 025**	**231 112**	**144 412**

Due to an adjustment of a previous years' error concerning verification of periods of economic useful lives of tangible fixed assets and intangible assets for Rottneros companies (described in note 6.5 of these interim abbreviated consolidated financial statements), the above data as at 30 September 2017 is not the data disclosed in the Consolidated Report for Q3 2017 of the Arctic Paper Group.

As at 30 September 2018 total assets amounted to PLN 2,131,437 thousand as compared to PLN 1,900,325 thousand at the end of 2017 which was an increase by PLN 231,112 thousand.

Fixed assets

At the end of June 2018 fixed assets accounted for 47.3% of total assets vs. 49.8% at the end of 2017. The value of fixed assets grew in the current period by PLN 60,951 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 2018, current assets amounted to PLN 1,121,740 thousand as compared to PLN 949,891 thousand at the end of December 2017. As part of the current assets, inventories increased by PLN 88,424 thousand and receivables grew by PLN 100,881 thousand, other current assets grew by PLN 43,174 thousand while cash and cash equivalents dropped by PLN 60,630 thousand. Current assets represented 52.6% of total assets as at the end of September 2018 (50.0% as at the end of 2017) and included inventories – 20.6% (18.5% as at the end of 2017), receivables – 20.5% (17.7% as at the end of 2017), other current assets – 3.0% (1.1% as at the end of 2017) and cash and cash equivalents – 8.5% (12.7% as at the end of 2017).

Assets for sale

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 2,383 thousand as at 30 September 2018 was composed of inventories (PLN 21 thousand), trade and other receivables (PLN 987 thousand), cash (PLN 1,252 thousand) and other financial and non-financial assets (PLN 124 thousand).

Equity

As at the end of Q3 2018, the equity amounted to PLN 876,161 thousand as compared to PLN 791,294 thousand at the end of 2017. Equity represented 41.1% of total liabilities as at the end of September 2018 as compared to 41.6% of total liabilities as at the end of December 2017. The growth of equity is due to the net profit for 9 months of 2018 and a positive net measurement of hedging instruments recognised in other comprehensive income reduced partly by dividend distribution to the shareholders of AP S.A. and to non-controlling shareholders and a growth of FX losses from translation of foreign entities.

Short-term liabilities

As at the end of September 2018, short-term liabilities amounted to PLN 755,855 thousand (35.5% of balance sheet total) as compared to PLN 576,276 thousand (30.3% of balance sheet total) as at the end of 2017. During three months of 2018 there was a growth of current liabilities by PLN 179,579 thousand which was primarily due to a growth of trade and other payables, accruals and shorty-term loans (including reclasification of overdraft facilities to short-term loans and borrowings due to the repayment date of August 2019).

Long-term liabilities

As at the end of September 2018, long-term liabilities amounted to PLN 497,844 thousand (23.4% of balance sheet total) as compared to PLN 531,128 thousand (27.9% of balance sheet total) as at the end of 2017. In the period under report, a decrease of long-term liabilities occurred by PLN 33,284 thousand, primarily due to the reclasification of overdraft facilities to short-term loans and borrowings described above.

Liabilities directly related to assets held for sale

The liabilities directly related to the discontinued operations cover the liabilities of the Mochenwangen Group with the exception of retirement benefits and liabilities to the other companies in the Arctic Paper Group. The amount of PLN 1,576 thousand as at 30 September 2018 was composed of provisions (PLN 859 thousand), trade and other payables (PLN 440 thousand) and other financial and non-financial liabilities (PLN 278 thousand).

Debt analysis

	Q3 2018	Q2 2018	Q3 2017	Change % Q3 2018/ Q2 2018	Change % Q3 2018/ Q3 2017
Debt to equity ratio (%)	143,3	142,0	134,6	1,3 p.p.	8,7 p.p.
Equity to fixed assets ratio (%)	87,0	85,3	86,9	1,7 p.p.	0,1 p.p.
Interest-bearing debt-to-equity ratio (%)	55,7	57,2	56,2	(1,5) p.p.	(0,5) p.p.
Net debt to EBITDA ratio for the last 12 months (x)	1,19x	1,39x	1,02x	(0,21)	0,17
EBITDA to interest expense ratio for the last 12 months (x)	10,5x	9,8x	10,9x	0,7	(0,4)

As at the end of September 2018 the debt to equity ratio was 143.3% and was higher by 1.3 p.p. as compared to the end of June of 2018 and higher by 8.7 p.p. as compared to the end of September 2017.

The equity to non-current assets ratio was 87.0% as at the end of Q3 2018 and was higher by 1.7 p.p. than at the end of June of 2018 and lower by 0.1 p.p. than at the end of September 2017.

The interest bearing debt to equity ratio was 55.7% as at the end of Q3 2018 and was lower by 1.5 p.p. as compared to the end of June 2018 and lower by 0.5 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 2018 amounted to 1.19x compared to 1.39x in the equivalent period ended on 30 June 2018 and 1.02x for 12-month period ended on 30 September 2017.

EBITDA to interest coverage ratio amounted to 10.5x for the twelve months ended on 30 September 2018, 9.8x for the twelve months ended on 30 June 2018 and 10.9x for the twelve months ended on 30 September 2017.

Liquidity analysis

	Q3 2018	Q2 2018	Q3 2017	Change % Q3 2018/ Q2 2018	Change % Q3 2018/ Q3 2017
Current ratio	**1,5x**	**1,4x**	**1,8x**	**0,1**	**(0,3)**
Quick ratio	**0,9x**	**0,8x**	**1,1x**	**0,1**	**(0,3)**
Acid test ratio	**0,2x**	**0,2x**	**0,4x**	**0,0**	**(0,2)**
DSI (days)	60,5	58,1	54,0	2,4	6,4
DSO (days)	47,2	48,2	48,4	(0,9)	(1,1)
DPO (days)	66,3	61,2	64,0	5,1	2,3
Operational cycle (days)	107,7	106,3	102,0	1,4	5,7
Cash conversion cycle (days)	**41,4**	**45,1**	**38,0**	**(3,7)**	**3,4**

The current liquidity ratio at the end of September 2018 was 1.5x and was higher than at the end of June 2018 (1.4x) and lower than as at the end of September 2017 (1.8x).

The quick liquidity ratio at the end of September 2018 was 0.9x and was higher than at the end of June 2018 (0.8x) and lower than as at the end of September 2017 (1.1x).

The cash ratio at the end of September 2018 was 0.2x and it did not change compared to the level of the ration at the end of June 2018 (0.2x) and lower than as at the end of September 2017 (0.4x).

The higher levels of liquidity ratios as at 30 September 2017 primarily resulted from an inflow of proceeds from the bond issue by Rottneros AB.

The cash conversion cycle for Q3 2018 (41.4 days) was shortened versus Q2 2017 (by 3.7 days) and was extended versus Q3 2017 (by 3.4 days).

Selected items of the consolidated cash flow statement

PLN thousand	Q3 2018	Q2 2018	Q3 2017	YTD 2018	YTD 2017	Change % Q3 2018/ Q2 2018	Change % Q3 2018/ Q3 2017	Change % YTD 2018/ YTD 2017
Cash flows from operating activities	67 749	(1 427)	58 181	68 123	161 955	(4 848,1)	16,4	(57,9)
of which:								
Gross profit (loss)	*52 237*	*30 760*	*34 232*	*122 028*	*105 307*	*69,8*	*52,6*	*15,9*
Depreciation/amortisation and	*23 065*	*21 316*	*27 494*	*68 371*	*80 865*	*8,2*	*(16,1)*	*(15,5)*
Changes to working capital	*(9 580)*	*(57 412)*	*(7 334)*	*(131 699)*	*(36 941)*	*(83,3)*	*30,6*	*256,5*
Other adjustments	*2 027*	*3 909*	*3 789*	*9 423*	*12 723*	*(48,1)*	*(46,5)*	*(25,9)*
Cash flows from investing activities	(39 089)	(33 939)	(51 385)	(114 739)	(126 536)	15,2	(23,9)	(9,3)
Cash flows from financing activities	9 926	(30 436)	115 625	(12 112)	59 328	(132,6)	(91,4)	(120,4)
Total cash flows	**38 587**	**(65 802)**	**122 421**	**(58 728)**	**94 746**	**(158,6)**	**(68,5)**	**(162,0)**

Due to an adjustment of a previous years' error concerning verification of periods of economic useful lives of tangible fixed assets and intangible assets for Rottneros companies (described in note 6.5 of these interim abbreviated consolidated financial statements), the above data for Q3 2017 and YTD 2017 is not the data disclosed in the Consolidated Report for Q3 2017 of the Arctic Paper Group.

Cash flows from operating activities

In Q3 2018, net cash flows from operating activities amounted to PLN +67,749 thousand as compared to PLN +58,181 thousand in the equivalent period of 2017. The positive cash flows in Q3 2018 were primarily due to EBITDA generated in the period.

In the three quarters of 2018, net cash flows from operating activities amounted to PLN +68,123 thousand as compared to PLN +161,955 thousand in the equivalent period of 2017. 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 2018, net cash flows from investing activities amounted to PLN -39,089 thousand as compared to PLN -51,385 thousand in 2017. Expenditures for tangible fixed assets in Q3 2018 and 2017 resulted in negative cash flows from investing activities.

In the three quarters of 2018, the cash flows amounted to PLN -114,739 thousand as compared to PLN -126,536 thousand for three quarters of 2017. The negative cash flows from investing activities in the current period resulted primarily from expenditures on tangible fixed assets.

Cash flows from financing activities

In Q3 2018, cash flows from financing activities amounted to PLN +9,926 thousand as compared to PLN +115,625 thousand in Q3 2017. The positive cash flows from financing activities in Q3 of the previous year were composed primarily of inflows from a bond issue by Rottneros AB.

Cash flows from financing activities for three quarters of 2018 amounted to PLN -12,112 thousand as compared to PLN +59,328 thousand in the equivalent period of 2017. The negative cash flows from financing activities in 2018 are primarily due to repayment of debt under term loans and borrowings along with interest, repayment of lease obligations (in particular pre-payment to Svenska Handelsbanken AB) and dividend distribution to the shareholders of AP S.A. and to non-controlling shareholders. 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.

Summary of standalone financial results

Selected items of standalone profit and loss statement

PLN thousand	Q3 2018	Q2 2018	Q3 2017	YTD 2018	YTD 2017	Change % Q3 2018/ Q2 2018	Change % Q3 2018/ Q3 2017	Change % YTD 2018/ YTD 2017
Sales revenues	**10 073**	**49 463**	**12 226**	**69 287**	**81 526**	**(80)**	**(18)**	**(15)**
of which:								
Revenues from sales of services	*8 184*	*9 340*	*7 510*	*26 047*	*29 797*	*(12)*	*9*	*(13)*
Interest income on loans	*1 219*	*1 226*	*1 126*	*3 672*	*3 317*	*(1)*	*8*	*11*
Dividend income	*670*	*38 897*	*3 589*	*39 567*	*48 412*	*(98)*	*-*	*(18)*
Profit on sales	8 683	48 295	11 198	65 372	77 088	(82)	(22)	(15)
% of sales revenues	*86,20*	*97,64*	*91,59*	*94,35*	*94,56*	*(11,4) p.p.*	*(5,4) p.p.*	*(0,2) p.p.*
Selling and distribution costs	(748)	(749)	(637)	(2 247)	(3 056)	(0)	17	(26)
Administrative expenses	(6 596)	(6 989)	(7 122)	(20 730)	(25 013)	(6)	(7)	(17)
Other operating income	62	191	245	311	359	(68)	(75)	(13)
Other operating expenses	(239)	(1 167)	1 381	(704)	(34 601)	(79)	(117)	(98)
EBIT	**1 161**	**39 581**	**5 065**	**42 002**	**14 777**	**(97)**	**(77)**	**184**
% of sales revenues	*11,53*	*80,02*	*41,43*	*60,62*	*18,12*	*(68,5) p.p.*	*(29,9) p.p.*	*42,5 p.p.*
EBITDA	**1 280**	**39 617**	**5 183**	**42 370**	**15 119**	**(97)**	**(75)**	**180**
% of sales revenues	*12,71*	*80,10*	*42,39*	*61,15*	*18,54*	*(67,4) p.p.*	*(29,7) p.p.*	*42,6 p.p.*
Financial income	1 428	2 041	2 135	3 522	7 014	(30)	(33)	(50)
Financial expenses	(5 060)	(5 627)	(5 278)	(16 545)	(16 137)	(10)	(4)	3
Gross profit (loss)	**(2 470)**	**35 995**	**1 921**	**28 979**	**5 653**	**(107)**	**(229)**	**413**
Income tax	(4)	(300)	-	(304)	-	(99)	-	-
Net profit/(loss)	**(2 475)**	**35 695**	**1 921**	**28 675**	**5 653**	**(107)**	**(229)**	**407**
% of sales revenues	*(24,57)*	*72,17*	*15,72*	*41,39*	*6,93*	*(96,7) p.p.*	*(40,3) p.p.*	*34,5 p.p.*

Revenues, profit on sales, costs of sales

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

Sales revenues for Q3 2018 amounted to PLN 10,073 thousand and comprised services provided to Group companies (PLN 8,184 thousand), interest income on loans (PLN 1,219 thousand) and dividend income (PLN 670 thousand). In the equivalent period of the previous year, the standalone sales revenues amounted to PLN 12,226 thousand which included revenues from the 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 three quarters of 2018, the standalone sales revenues amounted to PLN 69,287 thousand which included revenues from the services provided to Group companies (PLN 26,047 thousand) and interest income on loans granted (PLN 3,672 thousand) and dividend income (PLN 39,567 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).

The decrease of sales revenues in the three quarters of 2018 versus the equivalent period of 2017 was primarily due to a decrease in dividend received and service revenues.

Profit on sales amounted to PLN 8,683 thousand in Q3 2018 (PLN 11,198 thousand in Q3 2017) and PLN 65,372 thousand for the three quarters of 2018 (PLN 77,088 thousand for the three quarters of in 2017).

Selling and distribution costs

In Q3 2018 the Company recognised the amount of PLN 748 thousand as selling and distribution costs (PLN 637 thousand in Q3 2017). In the three quarters of 2018 the Company recognised the amount of PLN 2,247 thousand as selling and distribution costs (PLN 3,056 thousand in three quarters of 2017).

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

Administrative expenses

In Q3 2018, the administrative expenses amounted to PLN 6,596 thousand which was a decrease as compared to the equivalent period of the previous year by PLN 526 thousand. In the three quarters of 2018, administrative expenses amounted to PLN 20,730 thousand as compared to PLN 25,013 thousand in the equivalent period of 2017.

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 62 thousand in Q3 2018 which was a decrease as compared to the equivalent period of the previous year by PLN 183 thousand. Other operating expenses totalled PLN 726 thousand in Q3 2018 (PLN +1,381 thousand in the equivalent quarter of 2017). The positive other operating revenues in Q3 2017 were due to reversal of an impairment allowances for certain loans granted to Arctic Paper Mochenwangen GmbH (APMW repaid loans to APSA for EUR 380 thousand in August 2017).

For the three quarters of 2018, the other operating income and other operating expenses amounted to PLN +311 thousand and PLN -704 thousand respectively, and for the equivalent period in 2017 – PLN +359 thousand and PLN -34,601 thousand respectively. The major growth of other operating expenses in three quarters of the previous year was primarily due to a write-off of the value of interests in Arctic Paper Investment AB (PLN 32,947 thousand).

Financial income and financial expenses

In Q3 2018, the financial income amounted to PLN 1,428 thousand and was by PLN 707 thousand lower than generated in Q3 2017.

In Q3 2018, financial expenses amounted to PLN 5,060 thousand. In the equivalent period of 2017, the financial expenses amounted to PLN 5,278 thousand.

For three quarters of 2018, the financial income and expenses amounted to PLN +3,522 thousand and PLN -16,545 thousand respectively, and for the equivalent period in 2017 – PLN +7,014 thousand and PLN -16,137 thousand respectively. The higher financial income in 2017 was due to recognition of additional revenues due to a modified margin on the Company's loans.

Selected items of the standalone statement of financial position

PLN thousand	30.09.2018	31.12.2017	30.09.2017	Change 30.09.2018 -31.12.2017	Change 30.09.2018 -30.09.2017
Fixed assets	761 468	751 157	773 701	10 311	(12 233)
Receivables	89 630	75 287	71 908	14 344	17 722
Other current assets	118 896	80 675	77 199	38 222	41 697
Cash and cash equivalents	6 220	36 943	16 520	(30 722)	(10 300)
Total assets	**976 215**	**944 061**	**939 328**	**32 154**	**36 887**
Equity	546 540	531 032	576 484	15 508	(29 943)
Short-term liabilities	269 599	205 815	139 967	63 784	129 633
Long-term liabilities	160 075	207 214	222 877	(47 139)	(62 802)
Total equity and liabilities	**976 215**	**944 061**	**939 328**	**32 154**	**36 887**

As at 30 September 2018 total assets amounted to PLN 976,215 thousand as compared to PLN 944,061 thousand at the end of 2017.

The growth of assets is primarily due to higher other current assets in the period under report.

Fixed assets

As at the end of September 2018 non-current assets represented nearly 78.0% of total assets which means that the share decreased (by 1.6 p.p.) compared to the end of 2017. The main item of non-current assets includes interests in subsidiaries. At the end of Q3 2018, the value was PLN 678,313 thousand and there was no change versus the end of 2017.

Current assets

As at the end of September 2018, current assets amounted to PLN 206,081 thousand as compared to PLN 192,904 thousand at the end of 2017. The level of current assets grew at the end of September 2017, primarily with respect to trade receivables and other current assets. As at the end of Q3 2018, current assets represented 22.0% of total assets compared to 20.4% as at the end of the previous year.

As part of the current assets, receivables increased by PLN 14,344 thousand, other current assets by PLN 38,222 thousand while cash and cash equivalents decreased by PLN 30,722 thousand.

Equity

As at the end of Q3 2018, the equity amounted to PLN 546,540 thousand as compared to PLN 531,032 thousand at the end of 2017. As at the end of September 2018, equity accounted for 56.0% of balance sheet total vs. 56.2% of balance sheet total as at the end of 2017. The increase of equity is primarily due to the net profit for three quarters of 2018.

Short-term liabilities

As at the end of September 2018, short-term liabilities amounted to PLN 269,599 thousand (27.6% of balance sheet total) as compared to PLN 205,815 thousand as at the end of 2016 (21.8% of balance sheet total). The increase of short-term liabilities was a result of reclasification of overdraft facilities to short-term loans and borrowings due to the repayment date of August 2019.

Long-term liabilities

As at the end of September 2018, long-term liabilities amounted to PLN 160,075 thousand (16.4% of balance sheet total) as compared to PLN 207,214 thousand as at the end of 2017 (21.9% of balance sheet total).

The changes to long-term liabilities in the analysed period were primarily due to reclasification of overdraft facilities and also a drawdown of new tranchee of long-term loans, in particular loans to repay lease obligations of Arctic Paper Grycksbo AB and perform the investment in Arctic Paper Kostrzyn S.A.

Selected items of the standalone cash flow statement

PLN thousand	Q3 2018	Q2 2018	Q3 2017	YTD 2018	YTD 2017	Change % Q3 2018/ Q2 2018	Change % Q3 2018/ Q2 2018	Change % YTD 2018/ YTD 2017
Cash flows from operating activities	(1 690)	(77 509)	11 199	(90 408)	65 940	(97,8)	(115,1)	(237,1)
of which:								
Gross profit	*(2 466)*	*35 995*	*1 921*	*28 979*	*5 653*	*(106,9)*	*(228,4)*	*412,7*
Depreciation and impairment of fixed assets	*119*	*37*	*117*	*368*	*342*	*226,5*	*1,7*	*7,6*
Changes to working capital	*1 921*	*8 572*	*(7 641)*	*7 000*	*4 668*	*(77,6)*	*(125,1)*	*49,9*
Net interest and dividends	*2 068*	*(157)*	*3 194*	*6 078*	*10 924*	*(1 416,9)*	*(35,3)*	*(44,4)*
Increase / decrease of loans granted to subsidiaries	*4 738*	*(25 139)*	*7 530*	*(50 072)*	*10 595*	*(118,8)*	*(37,1)*	*(572,6)*
Change to liabilities due to cash-pooling	*(6 633)*	*(6 632)*	*12 524*	*(83 332)*	*29 383*	*0,0*	*(153,0)*	*(383,6)*
Other adjustments	*(1 437)*	*(90 184)*	*(6 446)*	*572*	*4 376*	*(98,4)*	*(77,7)*	*(86,9)*
Cash flows from investing activities	(60)	(116)	(273)	(199)	(3 068)	(48,4)	(78,0)	(93,5)
Cash flows from financing activities	6 288	50 598	(9 779)	59 884	(57 216)	(87,6)	(164,3)	(204,7)
Total cash flows	**4 539**	**(27 027)**	**1 148**	**(30 723)**	**5 657**	**(116,8)**	**295,4**	**(643,1)**

The cash flow statement presents a decrease in cash and cash equivalents in the three quarters of 2018 by PLN -30,723 thousand which includes:

- negative cash flows from operating activities of PLN -90,408 thousand,
- negative cash flows from investing activities of PLN -199 thousand,
- positive cash flows from financial activities of PLN +59,884 thousand.

Cash flows from operating activities

In the three quarters of 2018, net cash flows from operating activities amounted to PLN -90,408 thousand as compared to PLN +65,940 thousand in the equivalent period of 2017. The negative cash flows from operating activities in the three quarters of the current year were due primarily to a change of the balance of loans to subsidiary companies and liabilities under cash-pooling.

Cash flows from investing activities

In the first nine months 2018, cash flows from investing activities amounted to PLN -199 thousand as compared to PLN -3,068 thousand for three quarters of 2017. The higher investing cash flows in 2017 were related to the acquisition of interests in the subsidiary company Arctic Paper Investment AB.

Cash flows from financing activities

In 2018 cash flows from financing activities amounted to PLN +59,884 thousand as compared to PLN -57,216 thousand in 2017. The cash flows from financing activities in 2018 were primarily related to changes in balances of working capital 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 energy 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 supplies to the Group's Paper Mills is made from the Group's own Pulp Mills. The rest of the pulp produced in the Group's Pulp Mills is sold to external customers.

Currency rate fluctuations

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

Unusual events and factors

In Q3 2018 there were no unusual events or factors.

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

In Q3 2018 there were no changes in the Arctic Paper Group's structure that would have material influence on the financial result generated.

Other material information

Repayment of lease liabilities of Arctic Paper Grycksbo AB and receipt of a re-financing tranche from banks

On 7 January 2018, Arctic Paper SA granted a loan to its subsidiary Arctic Paper Grycksbo AB of EUR 5.56 million to cover repayment under lease contracts with Svenska Handelsbanken AB. The Company requested the existing consortium of financing banks (Santander Bank S.A. [Bank Zachodni WBK S.A.] and Bank BGŻ BNP Paribas S.A.) for approval for the Company to contract an additional short-term loan up to PLN 25,820 thousand to be granted as an additional tranche under the loan agreement of 9 September 2016 in order to finance or re-finance repayment of lease debt by Arctic Paper Grycksbo AB to Svenska Handelsbanken AB. The Meeting of Bondholders agreed to contract such financing on 20 February 2018. The new loan tranche of PLN 25,820 thousand was disbursed by the banks on 18 July 2018.

New investment by the Group

On 12 March 2018 the Company's Management Board decided to commence a project to expand the hydro power plant in the paper mill in Munkedal (Sweden). The objective of the project is to support the factory's environmental sustainability. The investment will double the quantity of energy generated by the environment-friendly hydro power plant at Arctic Paper Munkedals which will enhance the energy self-sufficiency of the paper mill.

The investment is estimated at SEK 70 million (about PLN 29 million). The Arctic Paper Group plans to finance the project with its own funds. When the project is completed, it will be refinanced with a bank loan. The Company has already signed a letter of intent with Swedbank concerning refinancing of the project.

The Arctic Paper Group has obtained the permits required for the investment. The project is to be completed in Q4 2019.

Published strategy on paper business

The Management Board of Arctic Paper SA decided to set a long-term financial goal – EBIT at 10%. Additionally, the Management Board approved its new strategy for the Group's paper business "The future lies in paper – Strategic Agenda 2022" which aims at developing the business and improving the profitability of the segment. The new business strategy relies on six strategic initiatives:

- Business development by focusing on selected profitable segments and markets, including specialist products and premium products, in Eastern Europe and in new markets.
- New innovative products and weights, developed in close cooperation with customers.
- Development of strong brands for the premium segment in order to increase revenues per one ton of paper.
- Optimisation of all processes in order to reduce costs.
- Reinforcement of the efficiency culture among employees, based on clear and measurable objectives.
- Sustainable activities based on products that may be recycled and on renewable materials.

The implementation of the strategy has already started which means that units of the Company have been developing detailed action plans based on those strategic initiatives.

Factors influencing the development of the Arctic Paper Group

Information on market trends

Supplies of fine paper

In Q3 2018 the Arctic Paper Group recorded an increased level of orders versus Q2 2018 by 1.4% and a drop of orders versus the equivalent period of 2017 by 1.1%.

Source of data: Arctic Paper analysis

Paper prices

In Q3 2018, the average prices of high quality paper grew by: 8% for UWF paper and by 7% for CWF paper respectively versus equivalent prices at the end of 2017.

In the period from July to September 2018, 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 similar increases: by 2.4% and 2.2% respectively

The average prices invoiced by Arctic Paper in EUR for comparable products in the segment of uncoated wood-free paper (UWF) increased from July to September 2018 by 3.6% while in the segment of coated wood-free paper (CWF) the prices increased by 2.2%. Vis-a-vis the equivalent prices from the end of Q3 2017, the average prices invoiced by Arctic Paper grew by 9.7% for UWF and 7.7% for CWF.

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 2018, the pulp prices reached the level of: NBSK – USD 1.230/ton and BHKP – USD 1.050/ton. The average price of NBSK in Q3 2018 was higher by 37.2% compared to the equivalent period of the previous year while the price of BHKP was by 20.2% higher. The average pulp price in Q3 2018 was higher by 5.8% for NBSK and by 0.5% for BHKP as compared to Q2 2018.

The average cost of pulp per ton of produced paper as calculated for the Arctic Paper Group, expressed in PLN, in Q3 2018 increased by 7.1% versus Q2 2018 and increased by 26.8% versus Q3 2017. The share of pulp costs in cost of paper sales in Q3 of the current year amounted to 62% and was higher compared to the level recorded in Q3 2017 (55%).

In the first three quarters of 2018, the AP Group used pulp in the production process in the following structure: BHKP 72%, NBSK 20% and other 8%.The Arctic Paper Group uses the pulp in the production process according to the following structure: BHKP 71%, NBSK 20% and other 9%.

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

Currency exchange rates

The EUR/PLN exchange rate at the end of Q3 2018 amounted to 4.2714 and was lower by 2.1% than at the end of Q2 2018 and lower by 0.9% than at the end of Q3 2017. The average exchange rate in Q3 2018 was higher by 1.0% than in Q2 2018 and amounted to 4.3057, compared to 4.2615. The average exchange rate in Q3 2018 was by 1.1% higher than in Q3 2017.

The EUR/SEK exchange rate at the end of September 2018 was 10.2950 versus 10.4095 at the end of H1 2018, and 9.5928 at the end of Q3 2017 which was a depreciation of EUR to SEK by 1.1% and appreciation by 7.3% respectively.

For this pair, the mean exchange rate in the first quarter was 0.7% higher compared to Q2 2018. The average exchange rate in Q3 2018 was 8.9% higher than in the corresponding period of 2017.

The changes mean a depreciation of SEK vis-a-vis EUR in Q3 2018 which had favourable impact on the Group's financial results, primarily with reference to the sales revenues generated by the Swedish factories that depend on prices in EUR.

At the end of Q3 2018, the USD/PLN rate recorded a decrease by 1.8% versus the end of Q2 2018 and amounted to 3.6754. In Q3 2018, the mean exchange rate amounted to 3.7018 compared to 3.5778 in Q2 2018. That was a PLN depreciation to USD by 3.5%. At the end of Q3 2018, the USD/SEK rate amounted to 8.8585 and was by 0.9% lower than at the end of Q2 2018. The mean exchange rate in Q3 2018 amounted to 8.9465 which was an increase by 3.2% compared to Q2 2018.

The changes of the USD/SEK exchange rates adversely affected the costs incurred in USD by the Swedish Pulp Mills, in particular the costs of pulp. With reference to the paper mill in Kostrzyn, the average monthly USD/PLN exchange rate remained disadvantageous with a material PLN appreciation at the end of the quarter.

At the end of September 2018, the EUR/USD rate amounted to 1.1622 compared to 1.1650 at the end of Q2 2016 and to 1.1800 at the end of September 2017. In terms of percentage, that means an appreciation of EUR to USD by 0.2% versus Q2 2017 and a depreciation of the currency by 1.5% versus the equivalent period of the previous year. In Q3 2018, the mean exchange rate of the pair amounted to 1.1632 compared to 1.1921 in Q2 2018 (-2.4%).

Further appreciation of EUR versus SEK has positively affected the Group's financial results, mainly due to increased sales revenues generated in EUR and denominated in SEK. The depreciating PLN versus USD in Q3 2018 adversely affected the purchase prices of raw materials for the paper mill in Kostrzyn. USD appreciating vis-a-vis SEK also adversely affected the above 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 adversely 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 adversely 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 2018 there were no material changes to the risk factors. Those were presented in detail in the semi-annual report for 2018.

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 2018.

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

Managing and supervising persons	Number of shares or rights to shares as at 09.11.2018	Number of shares or rights to shares as at 30.09.2018	Number of shares or rights to shares as at 27.08.2018	Change
Management Board				
Per Skoglund	20 000	20 000	20 000	-
Göran Eklund	-	-	-	-
	-	-	-	-
Supervisory Board	-	-	-	-
Per Lundeen	34 760	34 760	34 760	-
Thomas Onstad	6 223 658	6 223 658	6 223 658	-
Roger Mattsson	-	-	-	-
Maciej Georg	-	-	-	-
Mariusz Grendowicz	-	-	-	-

Information on sureties and guarantees

As at 30 September 2018, the Capital Group reported:

- 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 1,414 thousand at Arctic Paper Grycksbo AB and for SEK 760 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 1,698 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;
- pledges on shares in subsidiary companies in the Rottneros Group for SEK 773,368 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 EUR 10,000 thousand granted by Mr Thomas Onstad to Arctic Paper Finance AB;
- a guarantee by Rottneros AB for SEK 5,000 thousand to local authorities covering future environmental liabilities of the Vallvik pulp mill.

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);
   - 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.
   - As a result of repayment on 7 January 2018 of liabilities of Arctic Paper Grycksbo AB under the lease contract with Svenska Handelsbanken AB (pledge on movable assets and properties) and in view of the provisions of loan agreements, the process of releasing the above pledges made in favour of Svenska Handelsbanken AB was started and they were incorporated in the inter-creditor agreement.

Material off-balance sheet items

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

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

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

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

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

Signatures of the Members of the Management Board

Position	First and last name	Date	Signature
President of the Management Board Chief Executive Officer	Per Skoglund	9 November 2018	
Member of the Management Board Chief Financial Officer	Göran Eklund	9 November 2018	

Interim abbreviated financial statements

for the period of 9 months
ended on 30 September 2018

Interim abbreviated consolidated financial statements

Interim abbreviated consolidated profit and loss statement

	3-month period ended on 30 September 2018 (unaudited)	9-month period ended on 30 September 2018 (unaudited)	3-month period ended on 30 September 2017 (transformed)*	9-month period ended on 30 September 2017 (transformed)*
Continuing operations				
Revenues from sales of goods	812 371	2 377 509	735 866	2 212 855
Sales revenues	812 371	2 377 510	735 866	2 212 855
Costs of sales	(654 140)	(1 924 777)	(592 286)	(1 763 594)
Profit / (loss) on sales	158 230	452 733	143 580	449 261
Selling and distribution costs	(85 035)	(253 933)	(85 739)	(263 513)
Administrative expenses	(20 693)	(60 997)	(19 714)	(68 453)
Other operating income	14 993	33 987	10 430	32 708
Other operating expenses	(8 037)	(19 679)	(5 271)	(20 030)
Operating profit (loss)	59 459	152 110	43 285	129 973
Financial income	299	1 234	2 253	7 618
Financial expenses	(7 017)	(28 972)	(9 450)	(26 411)
Gross profit (loss)	52 741	124 372	36 088	111 180
Income tax	(9 553)	(31 222)	(6 732)	(24 484)
Net profit (loss) from continuing operations	43 188	93 149	29 355	86 697
Discontinued operations				
Profit (loss) for the financial year from discontinued operations	(452)	(2 291)	(1 849)	(5 852)
Net profit (loss) for the financial year	42 736	90 859	27 507	80 845
Attributable to:				
The shareholders of the Parent Entity, of which:	25 321	45 223	19 506	51 032
- profit (loss) from continuing operations	25 773	47 514	21 355	56 884
- profit (loss) from discontinued operations	(452)	(2 291)	(1 849)	(5 852)
Non-controlling shareholders, of which:	17 415	45 635	8 001	29 813
- profit (loss) from continuing operations	17 415	45 635	8 001	29 813
- profit (loss) from discontinued operations	-	-	-	-
	42 736	90 859	27 507	80 845
Earnings per share:				
– basic earnings from the profit/(loss) attributable to the shareholders of the Parent Entity	0,37	0,65	0,28	0,74
– basic profit/(loss) from continuing operations attributable to the shareholders of the Parent Entity	0,37	0,69	0,31	0,82
– diluted earnings from the profit attributable to the shareholders of the Parent Entity	0,37	0,65	0,28	0,74
– diluted profit from continuing operations attributable to the shareholders of the Parent Entity	0,37	0,69	0,31	0,82

*Information on the transformed data is provided in note 6.5 hereof

Interim abbreviated consolidated statement of comprehensive income

	3-month period ended on 30 September 2018 (unaudited)	9-month period ended on 30 September 2018 (unaudited)	3-month period ended on 30 September 2017 (revised)*	9-month period ended on 30 September 2017 (revised)*
Net profit / (loss) for the reporting period	42 736	90 859	27 507	80 845
Items to be reclassified to profit/loss in future reporting periods:				
FX differences on translation of foreign operations	(5 347)	(11 455)	14 039	(16 735)
Measurement of financial instruments	(3 122)	38 857	18 920	7 765
Deferred income tax on the measurement of financial instruments	1 122	(8 026)	(4 172)	(1 512)
Other comprehensive income (net)	(7 347)	19 375	28 788	(10 482)
Total comprehensive income for the period	35 389	110 234	56 294	70 363
Total comprehensive income attributable to:				
The shareholders of the Parent Entity	20 431	60 681	37 049	44 689
Non-controlling shareholders	14 957	49 553	19 245	25 673

*Information on the transformed data is provided in note 6.5 hereof

Interim abbreviated consolidated statement of financial position

	As at 30 September 2018 (unaudited)	As at 30 June 2018 (reviewed)	As at 31 December 2017 (audited)	As at 30 September 2017 (revised)*
ASSETS				
Fixed assets				
Tangible fixed assets	880 684	854 554	834 205	864 591
Investment properties	4 107	4 107	4 107	4 074
Intangible assets	47 920	50 064	51 108	59 106
Interests in joint ventures	966	976	988	898
Other financial assets	44 659	46 194	22 056	22 851
Other non-financial assets	1 498	1 512	1 513	1 335
Deferred income tax assets	27 479	27 939	32 387	22 429
	1 007 313	985 346	946 363	975 285
Current assets				
Inventories	439 420	409 243	350 996	355 500
Trade and other receivables	426 486	418 237	330 071	395 630
Corporate income tax receivables	11 154	9 495	6 687	11 825
Other non-financial assets	16 467	14 123	13 583	13 133
Other financial assets	47 441	51 753	7 151	9 000
Cash and cash equivalents	180 773	143 235	241 403	222 736
	1 121 740	1 046 087	949 891	1 007 823
Assets related to discontinued operations	2 383	2 831	4 071	3 917
TOTAL ASSETS	2 131 437	2 034 263	1 900 325	1 987 025
EQUITY AND LIABILITIES				
Equity				
Equity (attributable to the shareholders of the Parent Entity)				
Share capital	69 288	69 288	69 288	69 288
Reserve capital	407 976	407 976	447 638	447 638
Other reserves	134 282	136 196	125 997	127 958
FX differences on translation	(15 812)	(12 802)	(9 207)	9 592
Retained earnings / Accumulated losses	22 521	(2 800)	(62 364)	(43 866)
Cumulated other comprehensive income related to discontinued operations	(11 690)	(11 725)	(11 611)	(11 966)
	606 564	586 133	559 740	598 644
Non-controlling stake	269 597	254 640	231 555	248 502
Total equity	876 161	840 772	791 294	847 146
Long-term liabilities				
Interest-bearing loans and borrowings	311 555	253 868	372 576	398 140
Provisions	102 122	103 512	101 554	88 257
Other financial liabilities	3 123	3 396	3 945	26 531
Deferred income tax liability	64 073	57 409	34 301	36 652
Accruals and deferred income	16 971	17 565	18 752	19 437
	497 844	435 750	531 128	569 018
Short-term liabilities				
Interest-bearing loans and borrowings	153 270	198 228	39 440	39 463
Provisions	552	279	4 667	-
Other financial liabilities	20 298	25 572	33 153	12 219
Trade and other payables	481 940	431 365	423 868	421 276
Income tax liability	291	1 212	570	256
Accruals and deferred income	99 503	99 342	74 576	82 607
	755 855	755 996	576 276	555 822
Liabilities directly related to the discontinued operations	1 576	1 744	1 626	15 039
TOTAL LIABILITIES	1 255 276	1 193 491	1 109 030	1 139 879
TOTAL EQUITY AND LIABILITIES	2 131 437	2 034 263	1 900 325	1 987 025

*Information on the transformed data is provided in note 6.5 hereof

Interim abbreviated consolidated cash flow statement

	3-month period ended on 30 September 2018 (unaudited)	9-month period ended on 30 September 2018 (unaudited)	3-month period ended on 30 September 2017 (transformed)*	9-month period ended on 30 September 2017 (transformed)*
Cash flows from operating activities				
Gross profit/(loss) on continuing operations	52 741	124 372	36 088	111 180
Gross profit /(loss) on discontinued operations	(504)	(2 344)	(1 856)	(5 873)
Gross profit (loss)	52 237	122 028	34 232	105 307
Adjustments for:				
Depreciation/amortisation	23 065	68 371	27 494	80 865
FX gains / (loss)	(1 153)	3 415	(370)	(1 429)
Net interest and dividends	5 824	17 052	6 081	16 157
Profit / loss from investing activities	(54)	(58)	(61)	(48)
Increase / decrease in receivables and other non-financial assets	(13 245)	(103 536)	(48 961)	(59 235)
Change to inventories	(33 015)	(94 087)	1 014	7 948
Increase (decrease) of liabilities except loans, borrowings, bonds and other financial liabilities	38 725	44 629	45 686	26 153
Changes in accruals and prepayments	(2 045)	21 295	(5 074)	(11 806)
Change in provisions	(39)	(1 982)	6	(722)
Income tax paid	(4 272)	(9 442)	(2 244)	(2 927)
Co-generation certificates	1 627	767	(395)	278
Other	93	(329)	772	1 413
Net cash flows from operating activities	67 749	68 123	58 181	161 955
Cash flows from investing activities				
Disposal of tangible fixed assets and intangible assets	149	1 311	62	182
Purchase of tangible fixed assets and intangible assets	(39 256)	(105 253)	(51 447)	(127 163)
Other capital outflows / inflows	19	(10 796)	0	445
Net cash flows from investing activities	(39 089)	(114 739)	(51 385)	(126 536)
Cash flows from financing activities				
Change to overdraft facilities	8 937	48 901	8 598	(38 880)
Repayment of financial leasing liabilities	(258)	(23 398)	(981)	(2 985)
Inflows from other financial liabilities	-	-	-	-
Repayment of other financial liabilities	(415)	(416)	383	(16 568)
Net inflows from bonds	-	-	175 461	175 461
Inflows from loans and borrowings	22 009	36 514	1 267	52 394
Borrowings and loans repaid	(14 839)	(31 933)	(59 102)	(76 152)
Dividend disbursed to shareholders of AP SA	(0)	(13 858)	-	-
Dividend disbursed to non-controlling shareholders	-	(11 510)	-	(12 759)
Interest paid	(5 507)	(16 412)	(10 001)	(21 184)
Net cash flows from financing activities	9 926	(12 112)	115 625	59 328
Change in cash and cash equivalents	38 587	(58 728)	122 421	94 746
Net FX differences	(1 463)	(3 099)	2 099	(327)
Cash and cash equivalents at the beginning of the period	144 901	243 851	101 375	131 476
Cash and cash equivalents at the end of the period	182 025	182 025	225 895	225 895
including with restricted access	-	-	-	-

*Information on the transformed data is provided in note 6.5 hereof

Interim abbreviated consolidated statement of changes in equity

	Attributable to the shareholders of the Parent Entity								
	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 01 January 2018	69 288	447 638	(9 207)	125 997	(62 364)	(11 611)	559 740	231 555	791 294
Net profit / (loss) for the period	-	-	-	-	45 223	-	45 223	45 635	90 859
Other comprehensive income (net) for the period	-	-	(6 684)	22 142	-	-	15 458	3 917	19 375
Total comprehensive income for the period	-	-	(6 684)	22 142	45 223	-	60 681	49 553	110 234
Dividend disbursed to shareholders of AP SA	-		-	(13 857)	-	-	(13 857)	-	(13 857)
Dividend distribution to non-controlling entities	-	-	-	-	-	-	-	(11 510)	(11 510)
Discontinued operations	-	-	79	-	-	(79)	-	-	-
Profit distribution	-	(39 662)	-	-	39 662	-	-	-	-
As at 30 September 2018 (unaudited)	69 288	407 976	(15 812)	134 282	22 521	(11 690)	606 564	269 597	876 161

	Attributable to the shareholders of the Parent Entity								
	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 01 January 2017	69 288	447 638	19 717	156 975	(127 542)	(12 120)	553 955	235 588	789 543
Net profit / (loss) for the period	-	-	-	-	51 032		51 032	29 813	80 845
Other comprehensive income (net) for the period	-	-	(9 971)	3 627	-	-	(6 343)	(4 139)	(10 482)
Total comprehensive income for the period	-	-	(9 971)	3 627	51 032	-	44 689	25 673	70 363
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 (transformed)	69 288	447 638	9 592	127 958	(43 866)	(11 966)	598 644	248 502	847 146

Interim abbreviated standalone financial statements

Interim abbreviated standalone profit and loss statement

	3-month period ended on 30 September 2018 (unaudited)	9-month period ended on 30 September 2018 (unaudited)	3-month period ended on 30 September 2017 (unaudited)	9-month period ended on 30 September 2017 (unaudited)
Continuing operations				
Revenues from sales of services	8 184	26 047	7 510	29 797
Interest income on loans	1 219	3 672	1 126	3 317
Dividend income	670	39 567	3 589	48 412
Sales revenues	10 073	69 287	12 226	81 526
Interest expense to related entities and internal costs of sale of logistics services	(1 390)	(3 915)	(1 028)	(4 438)
Profit / (loss) on sales	8 683	65 372	11 198	77 088
Other operating income	62	311	245	359
Selling and distribution costs	(748)	(2 247)	(637)	(3 056)
Administrative expenses	(6 596)	(20 730)	(7 122)	(25 013)
Impairment charges to assets	(192)	(630)	1 399	(34 508)
Other operating expenses	(47)	(74)	(18)	(93)
Operating profit (loss)	1 161	42 002	5 065	14 777
Financial income	1 428	3 522	2 135	7 014
Financial expenses	(5 060)	(16 545)	(5 278)	(16 137)
Gross profit (loss)	(2 470)	28 979	1 921	5 653
Income tax	(4)	(304)	-	-
Net profit (loss) from continuing operations	(2 475)	28 675	1 921	5 653
Discontinued operations				
Profit (loss) for the financial year from discontinued operations	-	-	-	-
Net profit (loss) for the financial year	(2 475)	28 675	1 921	5 653
Earnings per share:				
– basic earnings from the profit (loss) for the period	(0,04)	0,41	0,03	0,08
– basic earnings from the profit (loss) from continuing operations for the period	(0,04)	0,41	0,03	0,08

Interim abbreviated standalone comprehensive income statement

	3-month period ended on 30 September 2018 (unaudited)	9-month period ended on 30 September 2018 (unaudited)	3-month period ended on 30 September 2017 (unaudited)	9-month period ended on 30 September 2017 (unaudited)
Net profit/(loss) for the reporting period	(2 475)	28 675	1 921	5 653
Items to be reclassified to profit/loss in future reporting periods:				
Measurement of financial instruments	362	595		
FX differences on translation of foreign operations	(53)	281	(237)	289
Other comprehensive income (net)	309	876	(237)	289
Total comprehensive income	(2 166)	29 551	1 684	5 942

Interim abbreviated standalone statement of financial position

	As at 30 September 2018 (unaudited)	As at 30 June 2018 (after review)	As at 31 December 2017	As at 30 September 2017 (unaudited)
ASSETS				
Fixed assets				
Tangible fixed assets	1 588	1 699	1 940	1 875
Intangible assets	1 797	1 745	1 614	1 548
Shares in subsidiaries	678 313	678 313	678 313	711 346
Other financial assets	78 549	76 300	68 042	57 870
Other non-financial assets	1 220	1 232	1 248	1 062
	761 468	759 291	751 157	773 701
Current assets				
Trade and other receivables	89 331	78 582	75 118	71 547
Income tax receivables	300	257	168	361
Other financial assets	114 724	120 709	74 157	72 459
Other non-financial assets	4 172	4 851	6 518	4 740
Cash and cash equivalents	6 220	1 682	36 943	16 520
	214 747	206 081	192 904	165 627
TOTAL ASSETS	976 215	965 372	944 061	939 328
EQUITY AND LIABILITIES				
Equity				
Share capital	69 288	69 288	69 288	69 288
Reserve capital	407 979	407 979	447 641	447 641
Other reserves	103 037	102 529	116 300	115 498
FX differences on translation	1 448	1 481	1 167	639
Retained earnings / Accumulated losses	(35 212)	(32 737)	(103 364)	(56 583)
Total equity	546 540	548 540	531 032	576 484
Long-term liabilities				
Interest-bearing loans and borrowings	158 349	88 693	205 339	221 243
Provisions	1 516	1 531	1 551	1 320
Other long-term liabilities	209	248	323	314
	160 075	90 472	207 214	222 877
Short-term liabilities				
Interest-bearing loans and borrowings	181 682	249 512	132 477	71 618
Trade payables	75 067	64 107	59 237	53 352
Other financial liabilities	3 261	3 738	4 258	5 437
Other short-term liabilities	1 605	1 886	1 631	1 525
Income tax liability	125	-	128	-
Accruals and deferred income	7 860	7 116	8 084	8 035
	269 599	326 360	205 815	139 967
TOTAL LIABILITIES	429 675	416 832	413 029	362 844
TOTAL EQUITY AND LIABILITIES	976 215	965 372	944 061	939 328

Interim abbreviated standalone cash flow statement

	3-month period ended on 30 September 2018 (unaudited)	9-month period ended on 30 September 2018 (unaudited)	3-month period ended on 30 September 2017 (unaudited)	9-month period ended on 30 September 2017 (unaudited)
Cash flows from operating activities				
Gross profit (loss)	(2 466)	28 979	1 921	5 653
Adjustments for:				
Depreciation/amortisation	119	368	117	342
FX gains / (loss)	(1 533)	1 249	5 150	289
Impairment of assets	-	-	-	32 944
Net interest and dividends	2 068	6 078	3 194	10 924
Increase / decrease in receivables and other non-financial assets	(9 498)	(8 580)	(8 090)	7 370
Increase / decrease in liabilities except for loans, borrowings and debt securities	10 676	15 804	(12 087)	(35 040)
Change in accruals and prepayments	743	(225)	(22)	2 993
Change in provisions	(15)	(34)	33	(37)
Income tax paid	78	(438)	(87)	10
Change to liabilities due to cash-pooling	(6 633)	(83 332)	12 524	29 383
Increase / decrease of loans granted to subsidiaries	4 738	(50 072)	7 530	10 595
Settlements within the tax group	-	-	1 015	515
Other	33	(204)	-	-
Net cash flows from operating activities	(1 690)	(90 408)	11 199	65 940
Cash flows from investing activities				
Disposal of tangible fixed assets and intangible assets	-		-	-
Purchase of tangible fixed assets and intangible assets	(60)	(199)	(273)	(453)
Purchase of interest in subsidiary entity	-	-	-	(2 615)
Net cash flows from investing activities	(60)	(199)	(273)	(3 068)
Cash flows from financing activities				
Inflows from loans and borrowings	19 647	38 564	-	16 625
Repayment of loan liabilities	(18 669)	(35 683)	(12 887)	(30 059)
Dividend disbursed	-	(13 857)	-	-
Change of balance of working capital loans	8 835	78 646	8 263	(32 650)
Interest paid	(3 451)	(7 569)	(5 072)	(10 924)
Repayment of obligations under financial leases	(74)	(218)	(83)	(209)
Net cash flows from financing activities	6 288	59 884	(9 779)	(57 216)
Change in cash and cash equivalents	4 538	(30 723)	1 147	5 656
Cash and cash equivalents at the beginning of the period	1 682	36 943	15 370	10 863
Cash and cash equivalents at the end of the period	6 220	6 220	16 519	16 519

Interim abbreviated standalone statement of changes in equity

	Attributable to the shareholders of the Parent Entity					
	Share capital	Reserve capital	FX differences on translation of foreign operations	Other reserves	Retained earnings / (Accumulated losses)	Total equity
As at 01 January 2018	69 288	447 641	1 167	116 300	(103 364)	531 032
Net profit for the period	-	-	-	-	28 675	28 675
Other comprehensive income (net) for the period	-	-	281	595	-	876
Total comprehensive income for the period	-	-	281	595	28 675	29 551
Profit distribution	-	(39 662)	-	-	39 662	-
Dividend distribution	-	-	-	(13 858)	-	(13 858)
Settlement of the tax group in Sweden	-	-	-	-	(185)	(185)
As at 30 September 2018 (unaudited)	69 288	407 979	1 448	103 037	(35 212)	546 540

	Attributable to the shareholders of the Parent Entity					
	Share capital	Reserve capital	FX differences on translation of foreign operations	Other reserves	Retained earnings / (Accumulated losses)	Total equity
As at 01 January 2017	69 288	447 641	350	148 200	(95 452)	570 026
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

Additional notes to the interim abbreviated standalone financial statements provided on pages 48 to 75 constitute an integral part hereof

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. 1,700 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 more than 700,000 metric tons of paper per year. The Pulp Mills are located in Sweden and have total production capacity of app.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 2018 amounted to PLN 2,378 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 Company has a foreign branch in Göteborg, Sweden.

The interim abbreviated consolidated financial statements of the Group for 9 months of 2018 cover:
— interim abbreviated consolidated profit and loss account, statement of comprehensive income and a cash flow statement for the periods of three and nine months ended on 30 September 2018 and contain comparable data for the equivalent periods ended on 30 September 2017.
— interim abbreviated statement of changes in equity for the period of nine months ended on 30 September 2018 and comparative data for the equivalent period ended on 30 September 2017 as well as for the year ended on 31 December 2017;
— interim consolidated statement of financial position as at 30 September 2018 and comparative data as at 30 June 2018, 31 December 2017 and 30 September 2017.

1.1. 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,
- Logistics services,
- Paper distribution.

1.2. Shareholding structure

Nemus Holding AB, a company under Swedish law (a company owned indirectly by Mr Thomas Onstad), is the majority shareholder of Arctic Paper S.A., holding (as at 30 September 2018) 40,381,449 shares of our Company, which constitutes 58.28% of its share capital and corresponds to 58.28% of the total number of votes at General Meetings. Thus Nemus Holding AB is the parent entity of the Issuer.

Additionally, Mr Thomas Onstad, an indirect shareholder of Nemus Holding AB, holds directly 6,223,658 shares representing 8.98% of the total number of shares in the Company, and via another entity – 600,000 shares accounting for 0.87% of the total number of shares of the Issuer. Mr Thomas Onstad's total direct and indirect holding in the capital of Arctic Paper S.A. as at 30 September 2018 was 68.13% and has not changed until the date hereof.

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

The duration of the Company is indefinite.

2. Composition of the Group

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

Unit	Registered office	Business objects	Group's interest in the equity of the subsidiary entities as at			
			9 November 2018	30 September 2018	27 August 2018	31 December 2017
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, Technoparkstrasse 1, 8005 Zurich	Trading company	100%	100%	100%	100%
Arctic Paper Italia srl	Italy, Via Cavriana 7, 20 134 Milan	Trading company	100%	100%	100%	100%
Arctic Paper Danmark A/S	Denmark, Korskildelund 6 DK-2670 Greve	Trading company	100%	100%	100%	100%
Arctic Paper France SAS	France, 43 rue de la Breche aux Loups, 75012 Paris	Trading company	100%	100%	100%	100%
Arctic Paper Espana SL	Spain, Avenida Diagonal 472-474, 9-1 Barcelona	Trading company	100%	100%	100%	100%
Arctic Paper Papierhandels GmbH	Austria, Hainborgerstrasse 34A, A-1030 Wien	Trading company	100%	100%	100%	100%
Arctic Paper Polska Sp. z o.o.	Poland, Okrężna 9, 02-916 Warszawa	Trading company	100%	100%	100%	100%
Arctic Paper Norge AS	Norway, Eikenga 11-15, NO-0579 Oslo	Trading company	100%	100%	100%	100%
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%

Unit	Registered office	Business objects	Group's interest in the equity of the subsidiary entities as at			
			9 November 2018	30 September 2018	27 August 2018	31 December 2017
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 2018 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.

3. Management and supervisory bodies

3.1. Management Board of the Parent Entity

As at 30 September 2018, 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 appointed on 30 August 2017.

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

3.2. Supervisory Board of the Parent Company

As at 30 September 2018, the Parent Company's Supervisory Board was composed of:

— Per Lundeen – Chairman of the Supervisory Board appointed on 22 September 2016 (appointed to the Supervisory Board on 14 September 2016);

- Roger Mattsson – Deputy President of the Supervisory Board appointed on 22 September 2016 (appointed as a Member of the Supervisory Board 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).

On 13 June 2018, the Ordinary General Meeting decided to appoint the Supervisory Board with no changes for the next joint term of office, effective on 21 December 2018.

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

3.3. Audit Committee of the Parent Entity

As at 30 September 2018, the Parent Entity's Audit Committee was composed of:

- Mariusz Grendowicz – President of the Audit Committee appointed on 18 September 2017 (appointed as a Member of the Audit Committee on 20 February 2013);
- Roger 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 changes in the composition of the Audit Committee of the Parent Company.

4. Approval of the financial statements

These interim abbreviated consolidated financial statements were approved for publication by the Management Board on 9 November 2018.

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

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

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

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

In connection with the term and revolving loan agreements, agreements related to bond issues, signed on 9 September 2016, the Group agreed to maintain specified financial ratios that are calculated at the end of each quarter. As at 30 September 2018, the Group complied with the financial ratios required with the above loan agreement concluded with the consortium of financing banks (Santander Bank S.A. [Bank Zachodni WBK S.A.], Bank BGŻ BNP Paribas S.A., European Bank for Reconstruction and Development).

The interim abbreviated consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended on 31 December 2017.

6. 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 2017, with the following exceptions:

- IFRS 15 Revenue from Contracts with Customers (issued on 28 May 2014) – effective for financial years beginning on or after 1 January 2018,
  The Management Board analysed the existing agreements and in view of their nature and no non-standard provisions, the amendments to IFRS 15 had no material impact on the Group's results (details are presented in note 6.1 hereof).
- IFRS 9 Financial Instruments (issued on 24 July 2014) – effective for financial years beginning on or after 1 January 2018. The Management Board analysed the existing agreements and in view of their nature, the amendments to IFRS 9 had no material impact on the Group's results (details are presented in note 6.2 hereof).

6.1. Implementation of IFRS 15

Selected accounting principles

The International Financial Reporting 15 Revenue from Contracts with Customers (“IFRS 15“), issued in May 2014 and amended in April 2016, establishes a Five-Step Model to recognise revenues resulting from contracts with customers.

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

Impact assessment of the new standard

The Group applied IFRS 15 from its effective date, applying a full retrospective method.

The Group is primarily involved in sales of paper and pulp. A detailed analysis of the impact of the changes was completed in 2017. The analysed areas:

- Identification of contractual obligations to perform: the business objects of the Group include production and sale of standardised paper types and pulp products; therefore, the acceptance of IFRS 15 has no impact on the Group's revenues and profit and loss with reference to contracts with customers under which sale of products is the sole contractual obligation to perform. The Group generates sales invoices and recognises revenues at the time when control over assets is transferred to customers - generally, at delivery of the goods.
- Variable remuneration: certain contracts with customers provide for quantitative rebates; the Group recognises revenues from sales of goods measured at the fair value of the received remuneration or receivables, net of any discounts and quantitative rebates; if the revenues cannot be reliably estimated, the Group delays revenue recognition until such time when the uncertainty is resolved. As a result, variable remuneration is generated in compliance with IFRS 15 which is

estimated at contract conclusion and updated afterwards. In accordance with IFRS 15, the estimated remuneration is limited to prevent re-evaluation of revenues. The applied limitation did not result in additional adjustment to revenues as the amount of the estimated rebate was estimated at contract conclusion (the amount of the estimated rebate is recognised in the period when the sale is executed).

— Presentation and requirements concerning disclosures: as IFRS 15 has no impact on the value and time of revenue recognition in the Group versus the principles used so far, the Group has not made any additional disclosures in this consolidated quarterly report.

6.2. Implementation of IFRS 9

Selected accounting principles

In July 2014, the International Accounting Standards Board published International Financial Reporting Standard 9 Financial Instruments ("IFRS 9"). IFRS 9 covers three aspects related to financial instruments: classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with the possibility of earlier application.

Classification and measurement of financial assets and liabilities

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

- measured at amortised cost: To measure its financial assets measured at amortised cost, the Group applies the effective interest rate method; those are trade receivables, loans granted, other financial receivables and cash and cash equivalents. After initial recognition, trade receivables are measured amortised cost with the effective interest rate method subject to impairment allowances' trade receivables due within 12 months of the day of their origin (without financing elements) and not forwarded to factoring, are not discounted and are measured at nominal;
- measured at fair value through other comprehensive income: profit and loss on a financial asset being a capital instrument which is subject to a measurement option via other comprehensive income, are recognised in other comprehensive income with the exception of dividend received;
- measured at fair value through financial results: profit or loss resulting from measurement of financial assets, classified as measured at fair value through profit and loss, are recognised in profit and loss account in the period in which it was generated; those are primarily derivative instruments not designated for hedge accounting. Profit or loss resulting from measurement of items measured at fair value through profit and loss account covers also interest and dividend revenues.
- hedging financial instruments: Hedging financial instruments are measured in compliance with the principles of hedge accounting.

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

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

- measured at amortised cost: trade payables, loans, borrowings and bonds
- measured at fair value via the profit and loss account: liabilities under derivative instruments not designated to hedge accounting
- hedging financial instruments, assets and financial liabilities being derivative instruments hedging cash flows and hedging fair value

Impairment of financial assets

IFRS 9 introduces a new approach to estimating impairment of financial assets at amortised cost or at fair value via other comprehensive income (except investments in financial assets and contractual assets). The impairment model is based on calculation of anticipated losses contrary to the currently applied model resulting from IAS 39 which was based on a concept of incurred losses. Trade receivables are the most important financial asset in the Group's financial statements that are subject to the new principles of calculating anticipated credit losses.

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

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

Hedge accounting

The Group decided to continue applying accounting principles compliant with IAS 39 with respect to hedging instruments.

Impact assessment of the new standard

The Group applied IFRS 9 from its effective date which was January 2018, without transforming its comparable data. In 2017, the Group carried out an assessment of the impact of the IFRS 9 introduction on the accounting principles (policy) applied by the Group with respect to the Group's operations or its financial results. The implementation of IFRS 9 did not have any impact on the statement of financial position and equity. As a result of the application of IFRS 9, classification to certain financial instruments was changed.

— Classification and measurement: the application of IFRS 9 did not affect the measurement of financial assets and liabilities and on the relevant values recognised in the statement of financial position and on equity. The Group classified financial assets and liabilities in accordance with IFRS 9. Trade receivables until contractual cash flows are received and therefore they continue to be measured at amortised cost through profit and loss account. The Group sells trade receivables under no-recourse factoring - each payment from the factor automatically repays the receivables from counterparties. The Group uses a practical exemption, and for trade receivables less than 12 months does not identify significant elements of financing.

The table below presents the classification and measurement of the financial assets in compliance with IAS 39 and IFRS 9 as at 1 January 2018:

	Category and method in compliance with IAS 39	*Value in compliance with IAS 39 as at 1 January 2018*	*Category and valuation method in compliance with IFRS 9*	*Value in compliance with IFRS 9 as at 1 January 2018*
Trade and other receivables	Loans and receivables valued at amortised cost	305 368	Financial assets valued at amortised cost	305 368
Other financial assets	Loans and receivables valued at amortised cost	7 293	Financial assets valued at amortised cost	7 293
Cash and cash equivalents	Loans and receivables valued at amortised cost	241 403	Financial assets valued at amortised cost	241 403

— Impairment: In accordance with IFRS 9, the Group measures write-downs for expected credit losses in the amount equal to the 12-month expected credit losses or expected credit losses in the life of the financial instrument. In case of trade receivables, the Group applies a simplified approach and estimates allowances for anticipated credit loss equal to anticipated credit loss over the life of the receivables which does not exceed 12 months. In view of the nature of trade receivables, the calculation method of impairment has not changed.

— Hedge accounting: since the Group decided to continue to apply IAS 39 in that respect, the entry into force of IFRS 9 did not affect the Group's financial statements.

6.3. 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 16 Leasing (issued on 13 January 2016) – effective for financial years beginning on or after 1 January 2019.

The Group does not expect the Standard to have material impact on its financial statements at its effective date since no unit is not a party to material contracts covered with IFRS 16.

6.4. 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 FX differences on translation are recognised in other total comprehensive income and cumulated in a separate equity item. On disposal of a foreign operation, the cumulative amount of the deferred exchange differences recognised in equity and relating to that particular foreign operation shall be recognised in the profit and loss account.

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

The following exchange rates were used for book valuation purposes:

	30 September 2018	31 December 2017
USD	3,6754	3,4813
EUR	4,2714	4,1709
SEK	0,4149	0,4243
DKK	0,5728	0,5602
NOK	0,4503	0,4239
GBP	4,8055	4,7001
CHF	3,7638	3,5672

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

	01/01 - 30/09/2018	01/01 - 30/09/2017
USD	3,5599	3,8382
EUR	4,2491	4,2663
SEK	0,4152	0,4453
DKK	0,5703	0,5736
NOK	0,4431	0,4623
GBP	4,8062	4,8886
CHF	3,6604	3,8997

6.5. Data comparability / adjustments to previous years' errors

In order to verify the economic useful life for tangible fixed assets and intangible assets as at 31 December 2017, the Group decided to adjust the economic useful life periods for tangible fixed assets and intangible assets for the Rottneros Group to those applied by the Rottneros Group for consolidation purposes to those that are actually used by the Group in a retrospective approach (earlier economic useful life periods had been based on estimates by appraisers who appraised the assets as of the day control was assumed over Rottneros AB which was not cohesive with the economic useful life periods applied by the Rottneros Group companies and thus an incorrect verification was applied to those periods in the previous years).

As a result, changes were made to the value of tangible fixed assets, depreciation costs and deferred tax for the comparative data for the periods of 3 and 9 months respectively ended on at 30 September 2017 and on 30 September 2017 versus the interim abbreviated consolidated financial statements for the period ended on 30 September 2017.

As at 30 December 2017, the value of tangible fixed assets grew by PLN 72,690 thousand while the deferred income tax asset decreased by PLN 15,992 thousand and the equity increased by PLN 56,698 thousand , however the minority interests increased by PLN 27,612 thousand and the FX translation reserve decreased by PLN 648 thousand with the accumulated uncovered loss reduced by PLN 29,734 thousand. The change of economic useful life for tangible assets of the Rottneros Group resulted in a growth of net profit for the nine-month period ended on 30 September 2017 by PLN 11,163 thousand as a result of a reduction to internal costs of sales by PLN 14,311 thousand and an increase of income tax by PLN 3,148 thousand.

Basic and diluted profit per share attributable to the shareholders of the parent entity for the nine-month period ended on 30 September 2017 grew from PLN 0.65 to PLN 0.74.

The change of economic useful life for tangible assets of the Rottneros Group resulted in a growth of net profit for the three-month period ended on 30 September 2017 by PLN 3,721 thousand as a result of a reduction to internal costs of sales by PLN 4,770 thousand and an increase of income tax by PLN 1,049 thousand.

Basic and diluted profit per share attributable to the shareholders of the parent entity for the three-month period ended on 30 September 2017 grew from PLN 0.25 to PLN 0.28.

In three quarters of 2018 there were no other changes that would result in changes to the comparable data.

6.6. Data comparability/change to estimates

Effective on 1 January 2018, on the basis of verification of the previous periods of economic useful lives for tangible fixed assets and intangible assets, AP Kostrzyn has changed the periods of economic useful lives for selected tangible fixed assets, mainly plant and machinery. The changes were primarily due to previous modernisation of the assets that resulted in extension of their periods of economic useful lives. Annual depreciation for those tangible fixed assets will decrease by PLN 7,982 thousand versus the annual depreciation cost for 2017.

7. Seasonality

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

8. Information on business segments

The principal continuing operations of the Group include paper production which is conducted in three paper mills belonging to the Group and pulp production in two Pulp Mills. The presentation of the segments cover the continuing activities of the Arctic Paper Group.

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.

— **Coated paper** – coated wood-free paper for printing or other graphic purposes, one-side or two-side coated with mixtures containing mineral pigments, such as china clay, calcium carbonate, etc. The coating process can involve different methods, both on-line and off-line, and can be supplemented by super-calendering to ensure a smooth surface. Coating improves the printing quality of photographs and illustrations.

— Pulp – fully bleached sulphate pulp and unbleached sulphate pulp 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 2018 and as at 30 September 2018.

Nine-month period ended on 30 September 2018 and as at 30 September 2018

	Continuing Operations						
	Uncoated	Coated	Pulp	Other	Total	Eliminations	Total continuing opetations
Revenues							
Sales to external customers	1 229 083	495 107	653 320	-	2 377 509	-	2 377 509
Sales between segments	-	18 882	32 658	26 047	77 587	(77 587)	-
Total segment revenues	1 229 083	513 988	685 978	26 047	2 455 097	(77 587)	2 377 509
Result of the segment							
EBITDA	91 097	(13 799)	142 012	957	220 268	213	220 481
Interest income	332	39	-	5 640	6 011	(5 202)	810
Interest expense	(2 359)	(2 682)	(6 229)	(10 352)	(21 623)	3 608	(18 015)
Depreciation/amortisation	(38 351)	(6 859)	(22 797)	(364)	(68 371)	-	(68 371)
FX gains and other financial income	1 357	290	5 813	42 565	50 026	(49 601)	425
FX losses and other financial expenses	(7 590)	(6 150)	-	(7 393)	(21 133)	10 175	(10 958)
Gross profit	44 486	(29 160)	118 800	31 052	165 178	(40 806)	124 372
Assets of the segment	967 470	275 658	933 396	463 549	2 640 073	(539 465)	2 100 608
Liabilities of the segment	466 696	405 150	343 122	429 675	1 644 644	(455 017)	1 189 626
Capital expenditures	(40 590)	(6 199)	(58 265)	(199)	-105 253	-	(105 253)
Interests in joint ventures	966	-	-	-	966	-	966

- Revenues from inter-segment transactions are eliminated on consolidation.
- The results of the segments do not cover financial income (PLN 1,234 thousand of which PLN 810 thousand is interest income) and financial expenses (PLN 28,972 thousand of which PLN 18,015 thousand is interest expense), depreciation/amortisation (PLN 68,371 thousand), and income tax liability (PLN -31,222 thousand). However, segment result includes inter-segment loss (PLN 213 thousand).
- Assets and liabilities of segments do not contain any deferred income tax (asset: PLN 27,479 thousand), provision: PLN 64,073 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 2018 and as at 30 September 2018.

Three-month period ended on 30 September 2018 and on 30 September 2018

	Continuing Operations						
	Uncoated	Coated	Pulp	Other	Total	Eliminations	Total continuing opetations
Revenues							
Sales to external customers	427 339	164 469	220 563	-	812 371	-	812 371
Sales between segments	(1)	6 676	9 498	8 184	24 356	(24 356)	-
Total segment revenues	427 337	171 145	230 061	8 184	836 727	(24 356)	812 371
Result of the segment							
EBITDA	25 569	1 859	55 078	(91)	82 415	109	82 524
Interest income	84	(1)	-	1 953	2 036	(1 721)	315
Interest expense	(708)	(921)	(2 069)	(3 667)	(7 365)	1 122	(6 242)
Depreciation/amortisation	(13 055)	(1 903)	(7 989)	(118)	(23 065)	-	(23 065)
FX gains and other financial income	433	97	1 238	1 852	3 620	(3 635)	(15)
FX losses and other financial expenses	(1 781)	(92)	-	(1 721)	(3 593)	2 819	(774)
Gross profit	10 543	(961)	46 258	(1 792)	54 048	(1 306)	52 741
Assets of the segment	967 470	275 658	933 396	463 549	2 640 073	(539 465)	2 100 608
Liabilities of the segment	466 696	405 150	343 122	429 675	1 644 644	(455 017)	1 189 626
Capital expenditures	(11 888)	(781)	(26 528)	(60)	-39 256	-	(39 256)
Interests in joint ventures	966	-	-	-	966	-	966

- Revenues from inter-segment transactions are eliminated on consolidation.
- The results of the segments do not cover financial income (PLN 299 thousand of which PLN 315 thousand is interest income) and financial expenses (PLN 7,017 thousand of which PLN 6,242 thousand is interest expense), depreciation/amortisation (PLN 23,065 thousand), and income tax liability (PLN -9,553 thousand). However, segment result includes inter-segment loss (PLN 109 thousand).
- Assets and liabilities of segments do not contain any deferred income tax (asset: PLN 27,479 thousand), provision: PLN 64,073 thousand), since those items are managed at the Group level. Segment assets do not also include investments in companies operating in the Group.

– The table below presents transformed 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 31 December 2017.

Nine-month period ended on 30 September 2017 and as at 31 December 2017

	Continuing Operations						
	Uncoated	Coated		Other	Total	Eliminations	Total continuing opetations
Revenues							
Sales to external customers	1 135 056	495 513		-	2 212 855	-	2 212 855
Sales between segments	-	15 500		29 890	93 695	(93 695)	-
Total segment revenues	1 135 056	511 012		29 890	2 306 550	(93 695)	2 212 855
Result of the segment							
EBITDA	106 149	(323)		(2 027)	209 788	1 050	210 838
Interest income	313	56		4 840	5 209	(4 865)	344
Interest expense	(2 975)	(3 216)		(11 293)	(19 711)	3 408	(16 303)
Depreciation/amortisation	(42 612)	(17 369)		(342)	(80 865)	-	(80 865)
FX gains and other financial income	2 987	1 164		55 342	59 938	(52 663)	7 275
FX losses and other financial expenses	(2 815)	(1 335)		(4 845)	(14 339)	4 230	(10 109)
Gross profit	61 046	(21 024)		41 675	160 019	(48 839)	111 180
Assets of the segment	915 148	225 945		429 320	2 371 742	(508 863)	1 862 878
Liabilities of the segment	430 337	337 764		413 028	1 499 353	(426 250)	1 073 104
Capital expenditures	(56 355)	(4 204)		(249)	(127 163)	-	(127 163)
Interests in joint ventures	988	-	-	-	988	-	988

– 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 80,865 thousand), and income tax liability (PLN -24,484 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 32,387 thousand), provision: PLN 34,301 thousand), since those items are managed at the Group level. Segment assets do not include investments in companies operating in the Group.

The table below presents transformed 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 31 December 2017.

Three-month period ended on 30 September 2017 and on 31 December 2017

	Continuing Operations						
	Uncoated	Coated	Pulp	Other	Total	Eliminations	Total continuing opetations
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)	(7 297)	(117)	(27 494)	-	(27 494)
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)	20 772	1 012	39 764	(3 676)	36 088
Assets of the segment	915 148	225 945	801 328	429 320	2 371 742	(508 863)	1 862 878
Liabilities of the segment	430 337	337 764	318 225	413 028	1 499 353	(426 250)	1 073 104
Capital expenditures	(28 917)	(638)	(21 830)	(63)	(51 447)	-	(51 447)
Interests in joint ventures	988	-	-	-	988	-	988

- 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 27,494 thousand), and income tax liability (PLN -6,732 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 32,387 thousand), provision: PLN 34,301 thousand), since those items are managed at the Group level. Segment assets do not include investments in companies operating in the Group.

9. Discontinued operations

On 28 July 2015, the Management Board of Arctic Paper S.A. announced that it had started an active search for an investor for the Arctic Paper Mochenwangen facility and in parallel it analysed the possibility to take measures for further reduction of losses generated by the Paper Mill, including those relating to the discontinuation of production. 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 for sale and liabilities directly related to assets for sale respectively as at 30 September 2018, 30 June 2018, 31 December 2017 and 30 September 2017 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 periods of 3 and 6 months ended on 30 September 2018 and as at 30 September 2017.

In view of a continued search for an investor for the factory of Arctic Paper Mochenwangen or its individual assets and in connection with negotiations under way with potential buyers, the Management Board decided to treat the operations of the Mochenwangen Group as discontinued activities as at 30 September 2018.

As at 31 December 2017 and continuing the approach in 2018, the Management Board decided that the provision for retirement leaves would not be sold as part of the discontinued activities and as a result it was excluded from liabilities related directly to the discontinued activities.

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

Revenues and expenses of discontinued operations	9-month period ended on 30 September 2018 (unaudited)	9-month period ended on 30 September 2017 (unaudited)
Revenues from sales of goods	-	-
Costs of sales	(863)	(1 809)
Profit / (loss) on sales	(863)	(1 809)
Selling and distribution costs	(54)	(733)
Administrative expenses	(2 349)	(3 661)
Other operating income	935	917
Other operating expenses	-	(576)
Operating profit (loss)	(2 331)	(5 861)
Financial income	0	(0)
Financial expenses	(13)	(13)
Gross profit (loss)	(2 344)	(5 873)
Income tax	53	22
Profit (loss) from discontinued operations	(2 291)	(5 852)
Cumulated other comprehensive income related to discontinued operations		
FX differences on translation of foreign operations	(79)	154
Actuarial profit/loss	-	-
	(79)	154
Earnings per share:		
– basic profit/(loss) from discontinued operations attributable to the shareholders of the Parent Entity	(0,03)	(0,08)
– diluted profit from discontinued operations attributable to the shareholders of the Parent Entity	(0,03)	(0,08)

Net assets for sale	As at 30 June 2018 (unaudited)	As at 31 December 2017
Assets for sale		
Inventories and other tangible assets	21	21
Trade and other receivables	987	1 293
Corporate income tax receivables	124	121
Other financial assets	-	188
Cash and cash equivalents	1 252	2 448
	2 383	4 071
Liabilities directly related to assets held for sale		
Provisions	859	838
Trade and other payables	440	517
Income tax liability	103	100
Accruals and deferred income	175	171
	1 576	1 626
Net assets for sale	807	2 445

Cash flows related to discontinued operations	9-month period ended on 30 September 2018	9-month period ended on 30 September 2017
Net cash flows from operating activities	(1 249)	1 855
Net cash flows from investing activities	-	-
Net cash flows from financing activities	-	-
Increase / (decrease) in cash and cash equivalents	(1 249)	1 855
Net FX differences	53	(16)
Cash and cash equivalents at the beginning of the period	2 448	1 320
Cash and cash equivalents at the end of the period	1 252	3 159

The Group intends to sell the land and afterwards the entire discontinued activity as an organised whole. Due to the fact that the Group now is trying to identify the contamination of the land and the condition will materially impact the market value of the asset, it is not possible to estimate the fair value of the land in a reliable manner. In consequence, the Group recognised the land at PLN 0 as at 30 September 2018, 30 June 2018, 31 December 2017 and 30 September 2017.

10. Dividend paid and proposed

10.1. 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 S.A. 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 2017.

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 13 June 2018 approved a resolution on distribution of dividend to the Company's shareholders from its retained net profit in the Company's reserves of PLN 13,857,556.60. Dividend per share was PLN 0.20. The Company's General Meeting determined 20 June 2018 as the ex-dividend date and 27 June 2018 as the dividend distribution date. The dividend was paid according to schedule.

10.2. Dividend disbursed by Rottneros AB

At the General Meeting of Rottneros AB of 16 May 2018 adopted a resolution on dividend distribution of SEK 0.37 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 23.6 million (SEK 56 million).

11. Earnings/(loss) per share

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

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

	3-month period ended on 30 September 2018 (unaudited)	9-month period ended on 30 September 2018 (unaudited)	3-month period ended on 30 September 2017 (unaudited)	9-month period ended on 30 September 2017 (unaudited)
Net profit / (loss) period from continuing operations attributable to the shareholders of the Parent Entity	25 773	47 514	21 355	56 884
Net profit / (loss) period from discontinued operations attributable to the shareholders of the Parent Entity	(452)	(2 291)	(1 849)	(5 852)
Net profit / (loss) attributable to the shareholders of the Parent Entity	25 321	45 223	19 506	51 032
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	0,37	0,65	0,28	0,74
continuing operations attributable to the shareholders of the Parent Entity	0,37	0,69	0,31	0,82
Diluted profit (loss) per share (in PLN)				
– from the profit/(loss) for the period attributable to the shareholders of the Parent Entity	0,37	0,65	0,28	0,74
operations attributable to the shareholders of the Parent Entity	0,37	0,69	0,31	0,82

12. Interest-bearing loans, borrowings and bonds

In the period covered with these financial statements, the Group partly repaid its term loan under the loan agreement of 9 September 2016 with a bank consortium of PLN 21,243 thousand and the Group increased its debt under overdraft facilities and term loan to the above consortium of banks by PLN 48,901 thousand and PLN 36,514 thousand respectively.

Within an increase of the term loan, the amount of PLN 25,820 thousand is related to the loan granted by AP S.A. to the subsidiary company - Arctic Paper Grycksbo AB on 7 January 2018 for EUR 5.56 million to cover repayment of its lease liabilities to Svenska Handelsbanken AB, on 18 July 2018 AP S.A. received a tranche of the term loan of PLN 25,820 thousand from the consortium of financing banks (Santander Bnak S.A. [Bank Zachodni WBK S.A.] and Bank BGŻ BNP Paribas S.A.). The loan was provided as an additional tranche under the loan agreement of 9 September 2016 to re-finance debt repayment by Arctic Paper Grycksbo AB under the lease contracts granted by Svenska Handelsbanken AB. The Meeting of Bondholders agreed to contract such financing on 20 February 2018.

In April 2018, the Group partly repaid its loan from the main shareholder of PLN 10,690 thousand (EUR 2,500 thousand)

The other changes to loans and borrowings as at 30 September 2018, compared to 31 December 2017 result mainly from balance sheet evaluation and payment of interest accrued as at 31 December 2017 and paid in Q1 2018.

Since the repayment date of overdrafts falls on August 2019 the amount of the overdrafts has been presented as short-term bering loans and borrowings as at 30 September 2018.

The detailed conditions of new loan agreements and bond issues are provided in the consolidated financial statements for the year ended on 31 December 2016, note 32.2.

In view of failure by the Group to comply with one of the financial ratios as at 30 June 2018 and in compliance with IAS 1, the Group disclosed all its debt towards the bank consortium as at that day of PLN 144,660 thousand as short-term liabilities: interest-bearing loans, borrowings and bonds. After 30 June 2018, Arctic Paper S.A. received a written assurance from Santander Bank S.A. [Bank Zachodni S.A.] acting as the consortium agent of the financing banks that failure by the Group to comply with the required Cashflow Cover ratio as at 30 June 2018 did not constitute an event of default under the loan agreement of 9 September 2016.

The above ratio reached the level required in the loan agreement as at 30 September 2018.

13. Share capital

Share capital	As at 30 September 2018 (unaudited)	As at 31 December 2017
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	28.05.2008	50 000	50 000
Issued on 12 September 2008	12.09.2008	44 253 468	44 253 468
Issued on 20 April 2009	01.06.2009	32	32
Issued on 30 July 2009	12.11.2009	8 100 000	8 100 000
Issued on 1 March 2010	17.03.2010	3 000 000	3 000 000
Issued on 20 December 2012	09.01.2013	10 740 983	10 740 983
Issued on 10 January 2013	29.01.2013	283 947	283 947
Issued on 11 February 2013	18.03.2013	2 133 100	2 133 100
Issued on 6 March 2013	22.03.2013	726 253	726 253
As at 30 September 2018 (unaudited)		69 287 783	69 287 783

14. Financial instruments

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

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

As at 30 September 2018, the Group used cash flow hedge accounting for the following hedging items:

— Arctic Paper S.A. designated SWAP derivatives to hedge accounting to hedge interest payments in EUR on a bank loan in EUR,
— Arctic Paper S.A. designated SWAP derivatives to hedge accounting to hedge interest payments in PLN on a bank loan in PLN,
— 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 in order to hedge a part of inflows in EUR related to pulp sales,
— the companies of the Rottneros Group designated for cash flow hedge accounting the FX forward derivatives in order to hedge a part of inflows in USD related to pulp sales,
— 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,

14.1.1. Cash flow hedges

As at 30 September 2018, the Group's cash flows were hedged with forward FX contracts, forward contracts for purchases of electricity, forward contracts for sales of pulp, interest rate SWAPs.

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

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	2 018
Maturity date	subject to contract; by 30.11.2018
Hedged amount	EUR 2.5 million
Term exchange rate	10.46 SEK/EUR

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	2 018
Maturity date	subject to contract; by 30.11.2018
Hedged amount	USD 14.0 million
Term exchange rate	8.92 SEK/USD

Hedge accounting of cash flows from sales of pulp

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

Type of hedge	Cash flow hedge related to sales of pulp
Hedged position	The hedged position is a part of highly likely future cash inflows for pulp sales
Hedging instruments	Forward contracts are used as the hedging item wherein the Company agrees to sell pulp for SEK
Contract parameters:	
Contract conclusion date	2017-2018
Maturity date	individually per contract up to 31.12.2019
Hedged quantity of pulp	24,000 tons
Term price	SEK 8.559/ton

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 01.01.2015
Maturity date	individually per contract; by 31.12.2021
Hedged quantity of electricity	1.195.580 MWh
Term price	from 16.50 to 32.10 EUR/MWh

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

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

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	21.11.2016
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 million.

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	18.07.2017
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.

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	21.11.2016
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 million.

Type of hedge	Hedge of cash flows related to variable interest rate on the EUR long-term revolving credit facility
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	21.11.2016
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 million.

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	27.07.2018
Maturity date	each interest payment date in line with the payment schedule under the loan agreement; by 28.02.2022
Hedged value	interest payable in line with the payment schedule under the loan agreement of EUR 3,344 thousand.

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	21.11.2016
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 million.

Type of hedge	Hedge of cash flows related to variable interest rate on the PLN long-term revolving credit facility
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	21.11.2016
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 million.

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	21.11.2016
Maturity date	each interest payment date in line with the payment schedule under the bond issue agreement; by
Hedged value	interest payable in line with the payment schedule under of interest of PLN 100 million.

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 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	31.07.2018
Maturity date	each interest payment date in line with the payment schedule under the loan agreement; by 29.01.2021
Hedged value	interest payable in line with the payment schedule under the loan agreement of PLN 25.8 million.

14.1.2. Fair value hedges

As at 30 September 2018, the Group had floor options as hedge to fair value.

Fair value 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	21.11.2016
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 million.

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	18.07.2017
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.

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	27.07.2018
Maturity date	each interest payment date in line with the payment schedule under the loan agreement; by 28.02.2022
Hedged value	interest payable in line with the payment schedule under the loan agreement of EUR 3,344 thousand.

The table below presents the fair value of hedging instruments in cash flow and fair value hedge accounting as at 30 September 2018 and the comparative data:

	As at 30 September 2018		As at 31 December 2017	
	(unaudited)	(unaudited)		
	Assets	Equity and Liabilities	Assets	Equity and Liabilities
FX forward	415	-	849	1 170
Forward on pulp sales	-	15 766	-	3 394
SWAP	-	3 240	-	3 604
Floor option	-	(159)	-	370
Forward for electricity	71 277	-	21 065	-
Total hedging derivative instruments	**71 692**	**18 848**	**21 914**	**8 539**

15. 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 factoring without recourse for trade receivables. The main purpose for using the financial instrument is to quickly raise funds.

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

In the opinion of the Management Board – in comparison to the annual consolidated financial statements made as at 31 December 2017 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.

16. 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 2017, there have been no significant changes to the objectives and policies of capital management.

17. Contingent liabilities and contingent assets

As at 30 September 2018, the Capital Group reported:

- contingent liability under a guarantee for FPG in favour of the mutual life insurance company PRI for SEK 1,414 thousand (PLN 587 thousand) at Arctic Paper Grycksbo AB and for SEK 760 thousand (PLN 315 thousand) at Arctic Paper Munkedals AB;
- a bank guarantee in favour of Skatteverket Ludvika for SEK 135 thousand (PLN 56 thousand);
- a guarantee by Rottneros AB of SEK 5.000 thousand (PLN 2.074 thousand) towards local authorities covering future liabilities of the Vallvik pulp mill.

18. Legal claims

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

19. CO2 emission rights

Arctic Paper Kostrzyn S.A., Arctic Paper Munkedals AB, Arctic Paper Grycksbo AB and the companies of the Rottneros Group, are all part of the European Union Emission Trading Scheme. The previous period to exercise rights to the issue 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 entity in 2013, 2014, 2015, 2016, 2017 and in the first three quarters of 2018.

(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	87 652	-	-
Issue	(150 577)	(147 950)	(162 467)	(170 696)	(142 784)	(100 085)		
Purchased quantity	-	-	-	-	-	-		
Sold quantity	-	-	-	-	-	-		
Unused quantity	306 448	263 932	203 917	133 061	87 652	82 483		

(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)	(10 619)		
Issue	(1 281)	(3 407)	(32 465)	(21 038)	(40 160)	(44 662)		
Purchased quantity	-	-	7	-	-	-		
Sold quantity	-	-	(100 000)	(50 000)	-	-		
Unused quantity	67 262	107 325	17 559	(11 572)	(10 619)	(14 970) **		

(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	2 564		
Issue	-	-	-	-	-	-		
Purchased quantity	-	-	-	-	-	-		
Sold quantity	(35 000)	(186 403)	(75 000)	(72 000)	(70 000)	(72 715)		
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	123 208		
Issue	(13 047)	(19 020)	(26 933)	(21 293)	(18 707)	(20 900)		
Purchased quantity	-	-	-	-	-	-		
Sold quantity	-	-	-	-	-	-		
Unused quantity	90 522	101 986	104 991	113 085	123 208	130 576		

* - 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.

** - any deficit of emission rights as at 30 September 2018 will be covered from a surplus over the estimated annual issue of the new allocation for 2019, available before the rights for 2018 have to be accounted for.

20. Government grants and operations in the Special Economic Zone

20.1. Government grants

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

20.2. 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. the Company 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, the Company could benefit from the exemption until 15 November 2017. Item I of the permit relating to the date by which the Company may enjoy the permit was deleted by Decision of the Minister of Economy No. 321/IW/14 of 6 November 2014. Now the Company is entitled to use the permit by 2026 or by the date SSE exist in Poland pursuant to the applicable regulations. The permit may be used subject to the incurrence in the zone of capital expenditures within the meaning of Art. 6 of the Regulation of the Council of Ministers of 14 September 2004 on the Kostrzyńsko-Słubicka Specjalna Strefa Ekonomiczna (Special Economic Zone), underlying the calculation of public aid in compliance with Art. 3 of the Regulation with the value in excess of EUR 40,000 thousand by 31 December 2013. The amount was translated at the mean exchange rate of EUR published by the President of the National Bank of Poland of the day the expense was incurred. The additional requirements are as follows: creation in Zone of 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 above terms and conditions have been satisfied.

The conditions of the exemption have not changed in the reporting period. The Group has not been inspected by any competent body.

During the period from 25 August 2006 to 30 September 2018, 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 63,379 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 5,255 thousand as at 30 September 2018.

21. Other material events after the end of the reporting period

After 30 September 2018 until the date hereof there were no other material events requiring disclosure in this report with the exception of those events that were disclosed in this report in paragraphs above.

Signatures of the Members of the Management Board

Position	First and last name	Date	Signature
President of the Management Board Chief Executive Officer	Per Skoglund	9 November 2018	
Member of the Management Board Chief Financial Officer	Göran Eklund	9 November 2018	

Head Office

Arctic Paper S.A.

J.H. Dąbrowskiego 334 A,
PL-60406, Poznań, Poland
Phone: +48 61 6262 000
Fax.+48 61 6262 001

Branch in Sweden

Box 383
SE-401 26 Göteborg, Sweden
Phone: +46 770 110 120
Fax. +46 31 631 725

Investor relations:
ir@arcticpaper.com

www.arcticpaper.com