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ARCTIC PAPER S.A. CAPITAL GROUP

Consolidated quarterly report third quarter of the year 2013

TRANSLATORS' EXPLANATORY NOTE
The following document is a free translation of the report of the above-mentioned Company.
In the event of any discrepancy in interpreting the terminology, the Polish version is binding.

ARCTIC PAPER

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Introduction

Information on report

The hereby Consolidated Quarterly Report for the third quarter of 2013 was prepared in accordance with the Minister of Finance Regulation of 19th February 2009 concerning current and periodical information submitted by issuers of securities and terms and conditions of classifying as equivalent information required by the law of a non-member state (Journal of Laws of 2009 no. 33, item 259, as amended) and the part of interim condensed consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), in particular in accordance with International Accounting Standard no 34 and IFRS approved by the EU. IFRS comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC"). Interim condensed consolidated financial statements does not comprise all information and disclosures required in the annual consolidated financial statements which is subject to obligatory audit and therefore it should be read in conjunction with the consolidated financial statements of the Group for the year ended 31st December 2012.

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

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

Definitions and abbreviations

Insofar as the context does not require otherwise, the following definitions and abbreviations are used in the whole document:

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

Arctic Paper, Company, Issuer, Parent Company, AP	Arctic Paper Spółka Akcyjna seated 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 enterprises
Arctic Paper Kostrzyn, AP Kostrzyn, APK	Arctic Paper Kostrzyn Spółka Akcyjna seated in Kostrzyn nad Odrą, Poland
Arctic Paper Munkedals, AP Munkedals, APM	Arctic Paper Munkedals AB seated in Munkedal Municipality, Västra Götaland County, Sweden
Arctic Paper Mochenwangen, AP Mochenwangen, APMW	Arctic Paper Mochenwangen GmbH seated in Mochenwangen, Germany
Arctic Paper Grycksbo, AP Grycksbo, APG	Arctic Paper Grycksbo AB seated in Kungsvagen, Grycksbo, Sweden
Paper Mills	Arctic Paper Kostrzyn, Arctic Paper Munkedals, Arctic Paper Mochenwangen, Arctic Paper Grycksbo
Arctic Paper Investment	Arctic Paper Investment GmbH seated in Wolpertswende, Germany
Arctic Paper Verwaltungs	Arctic Paper Verwaltungs GmbH seated in Wolpertswende, Germany
Arctic Paper Immobilienverwaltungs	Arctic Paper Immobilienverwaltungs GmbH & Co. KG seated in Ulm, Germany

Kostrzyn Group	Arctic Paper Kostrzyn Spółka Akcyjna seated in Kostrzyn nad Odrą and EC Kostrzyn Sp. z o.o. seated in Kostrzyn nad Odrą
Mochenwangen Group	Arctic Paper Investment GmbH, Arctic Paper Mochenwangen GmbH, Arctic Paper Verwaltungs GmbH, Arctic Paper Immobilienverwaltungs GmbH & Co.KG
Grycksbo Group	Arctic Paper Grycksbo AB, Grycksbo Paper Holding AB,
Distribution Companies	Arctic Paper Sverige AB, Arctic Paper Danmark A/S and Arctic Paper Norge AS
Sales Offices	Arctic Paper Papierhandels GmbH seated in Vienna (Austria); Arctic Paper Benelux SA seated in Oud-Haverlee (Belgium); Arctic Paper Danmark A/S seated in Vallensbaek (Denmark); Arctic Paper France SAS seated in Paris (France); Arctic Paper Deutschland GmbH seated in Hamburg (Germany); Arctic Paper Ireland Ltd seated in Dublin (Ireland); Arctic Paper Italia Srl seated in Milan (Italy); Arctic Paper Baltic States SIA seated in Riga (Latvia); Arctic Paper Norge AS seated in Trollåsen (Norway); Arctic Paper Polska Sp. z o.o. seated in Warsaw (Poland); Arctic Paper España SL seated in Barcelona (Spain); Arctic Paper Sverige AB seated in Uddevalla (Sweden); Arctic Paper Schweiz AG seated in Zurich (Switzerland); Arctic Paper UK Ltd seated in Caterham (UK); Arctic Paper East Sp. z o.o. seated in Kostrzyn nad Odrą (Poland); Grycksbo Paper Deutschland GmbH (liquidated in 2012).
Rottneros, Rottneros AB	Rottneros AB seated in Stockholm, Sweden
Rottneros Group, Rottneros AB Group	Rottneros AB seated in Stockholm, Sweden; Rottneros Bruk AB seated in Sunne, Sweden; Utansjo Bruk AB seated in Sweden, Vallviks Bruk AB seated in Sweden; Rottneros Packaging AB seated in Sweden; SIA Rottneros Baltic seated in Latvia
Pulp mills	Rottneros Bruk AB seated in Sunne, Sweden; Vallviks Bruk AB seated in Sweden
Purchasing Office	SIA Rottneros Baltic seated in Latvia
Kalltorp	Kalltorp Kraft Handelsbolaget seated in Trollhattan, Sweden
Trebruk AB	Trebruk AB (formerly Arctic Paper AB) seated in Göteborg Municipality, Västra Götaland County, Sweden
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.
SM, Shareholders Meeting, Issuer's Shareholders Meeting, Company's Shareholders Meeting	Shareholders Meeting of Arctic Paper S.A.
ESM, Extraordinary Shareholders Meeting, Issuer's Extraordinary Shareholders Meeting, Company's Extraordinary Shareholders Meeting	Extraordinary Shareholders Meeting of Arctic Paper S.A.
Articles of Association, Issuer's Articles of Association, Company's Articles of	Articles of Association of Arctic Paper S.A.

Association	
SEZ	Kostrzyńsko-Słubicka Special Economic Zone
Court of Registration	District Court Poznań-Nowe Miasto i Wilda in Poznań
Stock Exchange	Giełda Papierów Wartościowych w Warszawie Spółka Akcyjna (Warsaw Stock Exchange)
KDPW, Depository	Krajowy Depozyt Papierów Wartościowych Spółka Akcyjna seated in Warsaw
KNF	Komisja Nadzoru Finansowego (Financial Supervision Authority)
SFSA	Swedish Financial Supervisory Authority
NASDAQ OMX, OMX	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	Polish Central Statistical Office
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 sales profit (loss) to sales income
EBIT	Profit on operating activity (Earnings Before Interest and Taxes)
EBIT profitability, operating profitability, operating profit margin	Ratio of operating profit (loss) to sales income
EBITDA	Operating profit plus depreciation and amortization and impairment charges (Earnings Before Interest, Taxes, Depreciation and Amortization)
EBITDA profitability, EBITDA margin	Ratio of operating profit plus depreciation and amortization and impairment charges to sales income
Gross profit margin	Ratio of gross profit (loss) to sales income
Sales profitability ratio, net profit margin	Ratio of net profit (loss) to sales income
Return on equity, ROE	Ratio of net profit (loss) to equity
Return on assets, ROA	Ratio of net profit (loss) to total assets
EPS	Earnings Per Share, ratio of net profit to the 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-non-current assets ratio	Ratio of equity to non-current 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
Solidity ratio	Ratio of equity (calculated in compliance with Swedish Gaap accounting principles) to value of assets
Interest coverage	Ratio of interest value (less of financial lease interest) to EBITDA (calculated in compliance with Swedish Gaap accounting principles)
EBITDA-to-interest coverage ratio	Ratio of EBITDA to interest cost

Current ratio	Ratio of current assets to current liabilities
Quick ratio	Ratio of current assets minus inventory and short-term prepayments and deferred costs to current liabilities
Acid test ratio	Ratio of total cash assets and other cash assets to current liabilities
Days inventory outstanding, DSI, DIO	Days Sales of Inventory or Days Inventory Outstanding, ratio of inventory to cost of sales multiplied by the number of days in the period
Days sales outstanding, DSO	Days Sales Outstanding, ratio of trade receivables to sales income multiplied by the number of days in the period
Days payable outstanding, DPO	Days Payable Outstanding, ratio of trade payables to cost of sales multiplied by the number of days in the period
Operating cycle	DSI + DSO
Cash conversion cycle	Operating cycle – DPO
FY	Financial year
1Q	1st quarter of the financial year
2Q	2nd quarter of the financial year
3Q	3rd quarter of the financial year
4Q	4th quarter of the financial year
1H	First half of the financial year
2H	Second half of the financial year
YTD	Year-to-date
Like-for-like, LFL	Analogous, with respect to operating result – in the meaning of this report excluding the effect of the purchase of Arctic Paper Grycksbo in March 2010
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 Great Britain
SEK	Swedish Krona - Monetary unit of the Kingdom of Sweden
USD	United States dollar, the currency being legal tender in the United States of America
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
GDP	Gross Domestic Product

Other definitions and abbreviations

Series A Shares	50,000 Arctic Paper S.A. Series A Shares with a par value of 1 PLN each
Series B Shares	44,253,500 Arctic Paper S.A. Series B Shares with a par value of 1 PLN each
Series C Shares	8,100,000 Arctic Paper S.A. Series C Shares with a par value of 1 PLN each
Series E Shares	3,000,000 Arctic Paper S.A. Series E Shares with a par value of 1 PLN each

Series F Shares	13,884,283 Arctic Paper S.A. shares as on 30th June 2013 (10,740,983, Arctic Paper S.A. shares as on 31st December 2012) with a par value of 1 PLN each
Shares, Stock, Issuer's Shares, Issuer's Stock	Series A, Series B, Series C, Series E and Series F Shares jointly

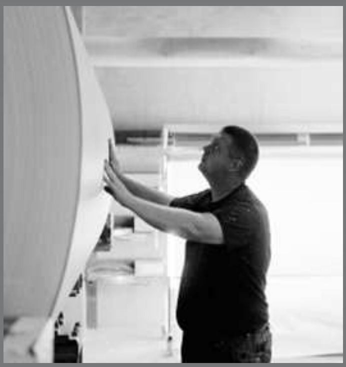
Forward looking statements

The information contained in the hereby 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 the hereby 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 occurred, 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 on the date they are expressed. Insofar as the legal regulations do not 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.

Statements concerning risk factors

In the hereby report, we have described the risk factors that the Management Board of our Group finds typical for our industry; however, this list may not be complete. It may happen that other factors exist which we have not identified and which could have a material adverse impact on the operations, financial situation, operating results or perspectives of the Arctic Paper Group. In such circumstances, the prices of the Company's shares listed on the Warsaw Stock Exchange or on NASDAQ OMX stock exchange in Stockholm may drop, investors may lose all or part of their invested funds, and the payment of dividend by the Company may be limited.

Please analyze carefully the information contained in the "Risk factors" section of the hereby report which describes the risks and uncertainties related to Arctic Paper Group's operations.



Management Board report on the operations of
Arctic Paper S.A. Capital Group
to the report for the third quarter of the year 2013

Arctic Paper Group profile

General information

The Arctic Paper Group is the second-largest European producer of bulky book paper in terms of production volume, offering the largest product assortment in this segment, and one of Europe's leading producers of fine graphic paper. The Group produces numerous types of uncoated and coated wood-free paper, as well as wood-containing uncoated paper for printing houses, paper distributors, book and magazine publishing houses and the advertising industry. In connection with the acquisition of Rottneros Group in December 2012, our assortment was broadened with production of pulp. As on the day of this report, the Arctic Paper Group employs nearly 1,800 people in four paper mills, two pulp mills, fifteen companies dealing in paper distribution and sales, and a company dealing in wood procurement for pulp production. The Group's paper mills are located in Poland, Sweden and Germany and have total production capacity of more than 800,000 metric tons of paper per year. The pulp mills are located in Sweden and have total production capacity of 410,000 tons per year. The Group has three Distribution Companies which handle sales, distribution and marketing of products offered by the Group in Scandinavia and twelve Sales Offices providing access to all European markets, including Central and Eastern Europe. The Group's consolidated sales revenue for the three quarters of 2013 totaled PLN 2,370 million.

Arctic Paper S.A. is a holding company established in April 2008. The Parent Company is entered in the commercial register of the Polish Court Register maintained by the District Court in Poznań – Nowe Miasto i Wilda, 8th Commercial Department of the Polish Court Register, under number KRS 0000306944. The Parent Company holds statistical number REGON 080262255.

Group Profile

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

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

- Production and sales of pulp,
- Generation of electric energy,
- Transmission of electric energy,
- Distribution of electric energy,
- Production of heat,
- Distribution of heat,
- Logistic services,
- Distribution of paper.

Our production units

As on 30th September 2013, as well as on the day of publishing of the hereby report, the Group has owned the following paper mills:

- the paper mill in Kostrzyn nad Odrą (Poland) has a production capacity of about 275,000 metric 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 a production capacity of about 160,000 metric tons per year and mainly produces uncoated wood-free paper used primarily for printing books and high-quality brochures;
- the paper mill in Mochenwangen (Germany) has a production capacity of about 115,000 metric tons per year and mainly produces uncoated wood-containing paper used primarily for printing books and flyers;
- paper mill in Grycksbo (Sweden) has a production capacity of about 265,000 metric tons per year and produces coated wood-free paper used for printing maps, books, magazines, posters and printing of advertising materials.

As on 30th September 2013, as well as on the day of publishing of the hereby report, the Group has owned the following pulp mills:

- the pulp mill in Rottneros (Sweden) has the annual production capacities of app. 170,000 tons and mainly produces two types of fibrous mechanical pulp: groundwood and CTMP;
- the pulp mill in Vallvik (Sweden) has the annual production capacities of app. 240,000 tons and produces two types of long-fiber 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 characteristic of high levels of purity. The high quality of this pulp, which has been achieved over the years, made Vallvik the global leader in deliveries of this type of pulp, which is used, among other, in production of power transformers and cable industry.

Our products

The assortment of products of Arctic Paper Group includes:

Uncoated wood-free paper, in particular:

- high-white offset paper produced and distributed primarily under the brand name Amber, one of the most versatile types of paper that can be used for many different purposes;
- wood-free bulky book paper produced under the brand name Munken, used primarily for book publishing;
- high quality graphic paper, used for printing various advertising and marketing materials, produced under the brand name Munken;

Coated wood-free paper, in particular:

- coated wood-free paper produced under the brand names G-Print and Arctic, used primarily for printing books, magazines, catalogs, maps and direct mail.

Uncoated wood-containing paper, in particular:

- wood-containing bulky book paper produced and distributed under the brand name Pamo, primarily used for printing paperbacks;
- wood-containing offset paper produced and distributed under the brand name L-Print, primarily used for printing low-budget advertising brochures and telephone directories.

Sulphate pulp:

- fully bleached sulphate pulp and unbleached sulphate pulp which is used mainly for production of printing and writing papers, cardboard, toilet paper and white packaging paper.

Fibrous mechanical pulp:

- chemithermomechanical pulp and groundwood, which are used mainly for production of printing and writing papers.

Capital Group structure

The Arctic Paper Capital Group comprises Arctic Paper S.A., as the Parent Company, and its subsidiaries, as well as joint arrangements. Since 23rd October 2009 Arctic Paper S.A. has been listed on the primary market of the Warsaw Stock Exchange and since 20th December 2012 in NASDAQ OMX stock exchange in Stockholm. The Group carries out business through its Paper Mills and Pulp Mills together with a company producing packaging as well as Distribution Companies, Sales Offices and a Purchasing Office.

Detailed information about the organization of the Arctic Paper S.A. Capital Group with indication of the companies under consolidation can be found in latter section of the hereby quarterly report. in note 2 to the interim condensed consolidated financial statements.

Changes in the capital structure of the Arctic Paper Group

In the third quarter of 2013, no changes in capital structure of the Group occurred.

Until 26th February 2013, Arctic Paper S.A. purchased shares of Rottneros AB either under the calling, whose principles were described in the annual report for 2012, or through direct purchases in NASDAQ OMX stock exchange.

Until the date of the hereby report, the Company purchased aggregate 82,726,339 of Rottneros AB shares which represents 54.2% shares in share capital and in the total number of votes.

Since a portion of Rottneros AB shares was purchased as exchange of newly issued Arctic Paper S.A. shares for Rottneros AB shares, in December 2012 and in 2013, until the date of the hereby report, the Company issued aggregate 13,884,283 series F shares. All issued shares has been until the date of publishing of the hereby report registered in National Court Register.

On the 11th of November 2013 Arctic Paper S.A. sold 4,495,456 shares in Rottneros AB, decreasing its share in the company by 2.9%, therefore Arctic Paper S.A. currently holds 51,3% share in the Rottneros Group.

Shareholder structure

The main shareholder of Arctic Paper S.A. is Trebruk AB, a company under Swedish law, holding as on 30th September 2013 41,450,065 Shares of the Company constituting 59.82% of share capital of the Company and corresponding to 59.82% of total votes in Shareholders Meeting. Thus Trebruk AB is the parent company of the Issuer. Moreover, Nemus Holding AB, holder of 5,857,286 Shares constituting 8,45% of total number of Shares, is a parent company of Trebruk AB.

Shareholders who hold, directly or indirectly, at least 5% of the total number of votes at the Shareholder Meeting

	as at 14.11.2013				as at 30.08.2013			
Shareholder	Number of shares	Share capital [%]	Number of votes	Of total number of votes [%]	Number of shares	Share capital [%]	Number of votes	Of total number of votes [%]
Trebruk AB (previous Arctic Paper AB)	41 450 065	59,82%	41 450 065	59,82%	41 450 065	59,82%	41 450 065	59,82%
Nemus Holding AB	5 857 286	8,45%	5 857 286	8,45%	5 857 286	8,45%	5 857 286	8,45%
Others	21 980 432	31,72%	21 980 432	31,72%	21 980 432	31,72%	21 980 432	31,72%
Total	69 287 783	100,00%	69 287 783	100,00%	69 287 783	100,00%	69 287 783	100,00%
Own shares	-	0,00%	-	0,00%	-	0,00%	-	0,00%
Total	**69 287 783**	**100,00%**	**69 287 783**	**100,00%**	**69 287 783**	**100,00%**	**69 287 783**	**100,00%**

Data in the above table are given as on the date of publishing of the hereby report and as on the date of publishing of the report for the first quarter of 2013. Data in the above table prevailed also as on 30th September 2013.

Summary of consolidated financial results

Consolidated income statement

Selected items of the consolidated income statement

PLN thousands	3Q 2013	2Q 2013	3Q 2012	YTD 2013	YTD 2012	Change % 3Q2013/ 2Q2013	Change % 3Q2013/ 3Q2012	Change % YTD2013/ YTD2012
Revenues	**784 000**	**763 668**	**680 723**	**2 370 007**	**2 009 584**	**2,7**	**15,2**	**17,9**
including:								
Sales of paper	*613 193*	*589 321*	*680 723*	*1 859 482*	*2 009 584*	*4,1*	*(9,9)*	*(7,5)*
Sales of pulp	*170 807*	*174 347*	*-*	*510 526*	*-*	*(2,0)*	*-*	*-*
Gross profit/ (loss) on sales	79 910	(7 812)	104 777	161 965	317 897	(1 123,0)	(23,7)	(49,1)
Gross profit on sales margin %	*10,19*	*(1,02)*	*15,39*	*6,83*	*15,82*	*11,2 p.p.*	*(5,2) p.p.*	*(9,0) p.p.*
Sales costs	(74 166)	(73 976)	(79 134)	(227 759)	(231 421)	0,3	(6,3)	(1,6)
Administrative expenses	(16 130)	(19 170)	(17 726)	(56 399)	(53 890)	(15,9)	(9,0)	4,7
Other operating income	8 955	13 986	8 584	41 593	27 837	(36,0)	4,3	49,4
Other operating cost	(5 614)	(8 176)	(5 999)	(21 282)	(18 862)	(31,3)	(6,4)	12,8
EBIT	**(7 046)**	**(95 148)**	**10 501**	**(101 881)**	**41 562**	**(92,6)**	**(167,1)**	**(345,1)**
EBIT margin %	*(0,90)*	*(12,46)*	*1,54*	*(4,30)*	*2,07*	*11,6 p.p.*	*(2,4) p.p.*	*(6,4) p.p.*
EBITDA	**23 549**	**3 346**	**41 845**	**59 263**	**133 618**	**603,7**	**(43,7)**	**(55,6)**
EBITDA margin %	*3,00*	*0,44*	*6,15*	*2,50*	*6,65*	*2,6 p.p.*	*(3,1) p.p.*	*(4,1) p.p.*
Financial income	(1 856)	152	437	886	996	(1 321,9)	(524,3)	(11,0)
Financial cost	(7 181)	(8 468)	(12 079)	(24 023)	(32 305)	(15,2)	(40,5)	(25,6)
EBT	**(16 082)**	**(103 464)**	**(1 140)**	**(125 018)**	**10 253**	**(84,5)**	**1 310,1**	**(1 319,4)**
Corporate income tax	791	11 613	(343)	11 795	5 915	(93,2)	(330,9)	99,4
Net profit / (loss)	**(15 291)**	**(91 852)**	**(1 483)**	**(113 223)**	**16 168**	**(83,4)**	**931,0**	**(800,3)**
Net profit margin %	*(1,95)*	*(12,03)*	*(0,22)*	*(4,78)*	*0,80*	*10,1 p.p.*	*(1,7) p.p.*	*(5,6) p.p.*

Commentary of the President of the Management Board Wolfgang Lübbert to the results for the third quarter of 2013

Arctic Paper's performance is stabilizing during the third quarter. Despite the European graphical market weakening, Arctic Paper improved its situation in the third quarter of 2013. The deliveries of European paper mills to graphical markets shrank by 6.8%. Coated woodfree papers market was hit by a decline of 8.3% in first 9 months of 2013, while uncoated woodfree papers market was down by 5.4%. The third quarter showed very difficult market conditions for Arctic Paper, but the results for the group are promising.

In the third quarter of 2013, the operating profit (EBITDA) reached PLN 23.5 million, compared to PLN 3.3 million in the second quarter and PLN 32.3 million in the first quarter of 2013. It will take time to reach previous levels of profitability (third quarter of 2012 – PLN 41.8 million), although clear measures have been taken. The dramatic loss of tonnage in the third quarter of 2013, compared to the third quarter of 2012 (by 9%) was caused mainly by the closure of PM1 at Arctic Paper Mochenwangen GmbH, but also lower tonnages in Arctic Paper Grycksbo AB.

In the first nine months of 2013, Arctic Paper lost 4% in tonnage. As a result of reduced tonnage, slightly reduced prices and unfavorable exchange rates, the operating profit (EBITDA) was down to PLN 59 million (PLN 133 million in first nine months of 2012).

Arctic Paper started in September 2013 a profit improvement plan. The Company has already benefited from some cost reductions, but the major improvement will be seen in 2014. Arctic Paper will continue to reduce the fixed cost base in the coming months. The cost of pulp, energy and chemicals will remain high in the coming period, however, slightly lower than in 2012. We expect a continues pressure on prices due to weak demand for graphical papers in Europe.

In the next 6 months, Arctic Paper will launch new products in all mills. Arctic Paper Grycksbo has already launched its ~~a~~ new product in October - assortment for packaging market. Arctic Paper Kostrzyn, Arctic Paper Munkedals and Arctic Paper Mochenwangen are going to launch new products in spring 2014.

Arctic Paper expects the demanding situation to affect our activities until the end of 2013, however, we foresee a positive development in the coming months, compared with the challenging situation as of first half of 2013.

Revenue

In the third quarter of 2013 consolidated sales revenue amounted to PLN 784,000 thousand compared to PLN 680,723 thousand in the same period of the previous year. This represents an increase by PLN 103,277 thousand and accordingly by 15.2%.

In nine months of 2013 sales revenues amounted to PLN 2,370,007 thousand compared to PLN 2,009,584 achieved in the analogous period of the previous year. This means an increase of PLN 360,423 thousand and respectively 17.9%.

Because of the acquisition of Rottneros Group in December 2012, revenue and costs of this Group, starting from 1st January 2013, are recognized in the consolidated income statement of Arctic Paper Group. Revenue of Arctic Paper Group on sales of products, less of Rottneros Group revenue, amounted in the first three quarters of 2013 to PLN 1,886,000 thousand and was lower than revenue in the corresponding period of 2012 by PLN 123,584 thousand. The revenue from sales of products of Arctic Paper Group, less of Rottneros Group revenue, amounted in the third quarter of 2013 to PLN 623,233 thousand and was lower by PLN 57,490 thousand compared to the corresponding period of 2012. The decrease was due to decrease of volume of paper sold as well as lower unit price expressed in PLN.

Sales volume in the third quarter of 2013 amounted to 188 thousand tons compared to 206 thousand tons in the same period of the previous year. The change represents a decrease of 18 thousand tons and respectively 8.7%.

Sales volume in the first three quarters of 2013 amounted to 575 thousand tons compared to 600 thousand tons in the same period of the previous year. The change represents a decrease of 25 thousand tons and respectively 4.2%.

Profit on sales, own cost of sales, sales costs and administrative expenses

Gross profit on sales in the third quarter of year 2013 amounted to PLN 79,910 thousand and was 23.7% lower compared to the same period of the previous year. The gross profit on sales margin in the current quarter stood at 10.2% compared to 15.4% (-5.2 p.p.) in the same period of the previous year. The main reason for the decrease of gross profit margin on sales in the third quarter of 2013, compared to the analogous period of the previous year, was the loss on sales of Rottneros Group, decrease of revenue on paper sales due to drop of unit price expressed in PLN.

Gross profit on sales in three quarters of year 2013 amounted to PLN 161,965 thousand and was 49.1% lower compared to the same period of the previous year. Sales profit margin in this period stood at 6.8% compared to 15.8% (-9 p.p.) in the same period of the previous year. The main reason for the decrease of sales profit and gross profit margin on sales in three quarters of 2013, compared to the analogous period of the previous year, was the loss on sales of Rottneros Group, decrease of revenue on paper sales mainly due to decrease of sales volume and drop of unit price expressed in PLN as well as impairment of non-financial assets in AP Grycksbo created as on 30th June 2013.

In the third quarter of 2013, sales costs amounted to PLN 74,166 thousand, which represents a decrease by 6.3% compared to the costs incurred in the third quarter of 2012.

In the three quarters of 2013, sales costs amounted to PLN 227,759 thousand, which represents a decrease by 1.6% compared to the costs incurred in the corresponding period of 2012. The main reason for the decrease of sales costs and the analyzed period was the decrease of variable sales costs dependent on volume of paper sold. The dynamics of variable sales costs decrease was lower than the dynamics of sales volume decrease and, as a result, total sales costs per ton of paper sold increased by 2.5% compared to three quarters of 2012.

In the third quarter of 2013 the administrative expenses amounted to PLN 16,130 thousand compared to PLN 17,726 thousand in the analogous period of 2012, which means a decrease of 9.0%.

In three quarters of 2013 the administrative expenses amounted to PLN 56,399 thousand compared to PLN 53,890 thousand in the analogous period of 2012, which means an increase of 4.7%. The main reason for the increase was cost related to consulting services provided for the Group by external entities.

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Other operating income and cost

Other operating income in the third quarter of 2013 amounted to PLN 8,955 thousand, which means an increase compared to the same period of the previous year by PLN 371 thousand.

Other operating income in three quarters of 2013 amounted to PLN 41,593 thousand, which means an increase compared to the same period of the previous year by PLN 13,756 thousand and results mainly from other operating income of Rottneros Group.

Other operating income consists mainly of revenue from heat and electricity sales as well as revenue from sales of other materials.

In the third quarter of 2013 other operating expenses amounted to PLN 5,614 thousand compared to PLN 5,999 thousand in the third quarter of 2012.

In three quarters of 2013 other operating expenses amounted to PLN 21,282 thousand which means an increase of PLN 2,420 thousand compared to the analogous period of the previous year.

Other operating expenses comprise mainly own cost of sales of electricity and heat as well as of other materials.

Financial income and financial cost

Financial income in the third quarter of 2013 amounted to PLN -1,856 thousand compared to income achieved in the analogous period of the previous year (PLN 437 thousand). The amount of financial income in the third quarter of 2013 results mainly from net presentation of currency exchange differences, which is the excess of positive exchange differences over negative exchange differences is presented as financial income and the excess of negative exchange differences over positive exchange differences is presented as financial cost. In three quarters of 2013, the Group noted minor financial cost on the grounds of exchange differences while in the first half of 2013 there was an excess of positive exchange differences over negative exchange differences which was presented as financial income.

Financial cost in the third quarter of 2013 amounted to PLN 7,181 thousand compared to PLN 12,079 thousand incurred in the third quarter of 2012. Lower financial cost in the third quarter of 2013 resulted mainly from lower interest cost as well as from the aforementioned excess of negative exchange differences over positive exchange differences recorded in the third quarter of 2012.

Financial cost in three quarters of 2013 amounted to PLN 24,023 thousand in which PLN 21,770 thousand is interest cost. It means a decrease of financial cost compared to the same period of the previous year by PLN 8,282 thousand and respectively a decrease of interest cost by PLN 5,386 thousand.

Income tax

Income tax in the third quarter of 2013 amounted to PLN +791 thousand, while in analogous period of 2012 amounted to PLN -343 thousand.

Current income tax in the analyzed period amounted to PLN +143 thousand while the deferred part amounted to PLN +648 thousand. In the third quarter of the previous year it was respectively PLN -2,398 thousand and +2,055 thousand.

Profitability analysis

Result on operating activities in the third quarter of 2013 amounted to PLN -7,046 thousand compared to PLN +10,501 thousand in analogous period of the previous year. These changes mean there was a decrease of operating profit margin from +1.54% in the third quarter of 2012 to -0.90% in the corresponding period of the current year.

EBITDA for the third quarter of 2013 amounted to PLN 23,549 thousand while in the same period of 2012 it amounted to PLN 41,845 thousand. In the reporting period EBITDA margin amounted to 3.00% compared to 6.15% in the analogous period of 2012.

Net loss in the third quarter of 2013 amounted to PLN 15,291 thousand compared to net loss of PLN 1,483 thousand in the third quarter of 2012. The recorded loss in the third quarter of 2013 was due to lower paper sales and unit price expressed in PLN.

Net loss in three quarters of 2013 amounted to PLN 113,223 thousand compared to net profit in the amount of PLN 16,168 thousand in three quarters of 2012. The net loss recorded for three quarters of 2013 was a consequence of sales loss in Rottneros Group, decrease of revenue on paper sales resulted from drop of volume of paper sold and unit sales price expressed in PLN as well as impairment write-offs in AP Grycksbo as on 30th June 2013.

Profitability analysis

PLN thousands	3Q 2013	2Q 2013	3Q 2012	YTD 2013	YTD 2012	Change % 3Q2013/ 2Q2013	Change % 3Q2013/ 3Q2012	Change % YTD2013/ YTD2012
Gross profit/ (loss) on sales	79 910	(7 812)	104 777	161 965	317 897	(1 123,0)	(23,7)	(49,1)
Gross profit on sales margin %	*10,19*	*(1,02)*	*15,39*	*6,83*	*15,82*	*11,2 p.p.*	*(5,2) p.p.*	*(9,0) p.p.*
EBITDA	**23 549**	**3 346**	**41 845**	**59 263**	**133 618**	**603,7**	**(43,7)**	**(55,6)**
EBITDA margin %	*3,00*	*0,44*	*6,15*	*2,50*	*6,65*	*2,6 p.p.*	*(3,1) p.p.*	*(4,1) p.p.*
EBIT	**(7 046)**	**(95 148)**	**10 501**	**(101 881)**	**41 562**	**(92,6)**	**(167,1)**	**(345,1)**
EBIT margin %	*(0,90)*	*(12,46)*	*1,54*	*(4,30)*	*2,07*	*11,6 p.p.*	*(2,4) p.p.*	*(6,4) p.p.*
Net profit / (loss)	**(15 291)**	**(91 852)**	**(1 483)**	**(113 223)**	**16 168**	**(83,4)**	**931,0**	**(800,3)**
Net profit margin %	*(1,95)*	*(12,03)*	*(0,22)*	*(4,78)*	*0,80*	*10,1 p.p.*	*(1,7) p.p.*	*(5,6) p.p.*
ROE - Return on equity (%)	(2,1)	(11,1)	(0,2)	(15,6)	2,4	9,0 p.p.	(1,9) p.p.	(18,0) p.p.
ROA - Return on assets (%)	(0,8)	(4,5)	(0,1)	(6,1)	0,9	3,7 p.p.	(0,7) p.p.	(6,9) p.p.

In the third quarter of 2013 return on equity amounted to -2.1% (-15.6% in three quarters of 2013) while in the same period of 2012 it amounted to -0.2% (2.4% in three quarters of 2012). In the same period, return on assets decreased from -0.1% (0.9% for three quarters of 2012) to -0.8% (-6.1% for three quarters of 2013).

Report on financial situation

Selected items of the consolidated balance sheet

PLN thousands	30/09/2013	31/12/2012	30/09/2012	Change 30/09/2013 -31/12/2012	Change 30/09/2013 -30/09/2012
Non-current assets	990 433	1 070 697	1 059 416	(80 264)	(68 983)
Inventory	368 436	411 716	279 272	(43 281)	89 163
Receivables	372 566	342 155	329 127	30 411	43 439
including trade and other receivables	*355 744*	*329 888*	*317 781*	*25 856*	*37 963*
Other current assets	33 944	18 320	8 614	15 624	25 330
Cash and equivalents	103 884	202 710	134 872	(98 826)	(30 988)
Total assets	**1 869 263**	**2 045 599**	**1 811 301**	**(176 336)**	**57 962**
Equity	724 333	829 486	672 993	(105 153)	51 340
Short-term liabilities	916 708	787 265	814 581	129 443	102 127
including:					
trade liabilities and other	*334 239*	*413 571*	*357 033*	*(79 331)*	*(22 793)*
interest-bearing bank loans, borrowings, bonds and other financial liabilities	*451 631*	*249 527*	*394 489*	*202 104*	*57 142*
provisions, accruals and derferred income	*130 838*	*124 167*	*63 060*	*6 671*	*67 779*
Long-term liabilities	228 221	428 848	323 727	(200 627)	(95 506)
including:					
interest-bearing bank loans, borrowings, bonds and other financial liabilities	*60 275*	*246 869*	*58 117*	*(186 595)*	*2 158*
other liabilities	*167 947*	*181 979*	*265 611*	*(14 033)*	*(97 664)*
Total equity and liabilities	**1 869 263**	**2 045 599**	**1 811 301**	**(176 336)**	**57 962**

As on 30th September 2013 total assets amounted to PLN 1,869,263 thousand compared to PLN 2,045,599 thousand as at the end of 2012, which means a decrease of PLN 176,336 thousand.

Non-current assets

As at the end of September 2013 non-current assets amounted to PLN 990,433 thousand and represented 53.0% of total assets compared to PLN 1,070,697 thousand and 52.3% as at the end of 2012. The carrying value of non-current assets decreased in three quarters of 2013, mainly due to impairment of property, plant & equipment and intangibles in the amount of PLN 66,650 thousand accounted as on 30th June 2013.

Current assets

Current assets reached the level of PLN 878,830 thousand as at the end of September 2013 compared to PLN 974,902 thousand as at the end of December 2012.

Within the current assets inventories decreased by PLN 43,281 thousand, receivables increased by PLN 30,411 thousand, other current assets increased by PLN 15,624 thousand, and cash and cash equivalents decreased by PLN 98,826 thousand.

Current assets represented 47.0% of total assets as at the end of September 2013 (47.7% as at the end of 2012) and included inventories 19.7% (20.2% as at the end of 2012), receivables 19.9% (16.7% as at the end of 2012), other current assets 1.8% (0.9% as at the end of 2012) and cash and cash equivalents 5.6% (9.9% as at the end of 2012).

Equity

Equity amounted to PLN 724,333 thousand as at the end of the third quarter of 2013 compared to PLN 829,486 thousand as at the end of 2012. Equity represented 38.7% of total equity and liabilities as at the end of September 2013 compared to 40.5% of total equity and liabilities as at the end of December 2012.

Short-term liabilities

As at the end of September 2013 short-term liabilities amounted to PLN 916,708 thousand (49.1% of total equity and liabilities) compared to PLN 787,265 thousand (38.5% of total equity and liabilities) as at the end of 2012. In three quarters of 2013 an increase of short-term liabilities occurred by PLN 129,443 thousand which resulted mainly from reclassification of bank loans taken by the Group from long-term to short-term. The reclassification is a result of failure to keep the financial ratios set in loan agreements – this situation has been described in details later in the interim condensed consolidated financial statements.

Long-term liabilities

As at the end of September 2013 long-term liabilities amounted to PLN 228,221 thousand (12.2% of total equity and liabilities) compared to PLN 428,848 thousand (21.0% of total equity and liabilities) as at the end of 2012. In the analyzed period, a decrease of long-term liabilities occurred by PLN 200,627 thousand, mainly due to the reclassification of bank loans as described in the previous paragraph.

Debt analysis

Debt analysis

	3Q 2013	2Q 2013	3Q 2012	Change 3Q2013/ 2Q2013	Change 3Q2013/ 3Q2012
Debt-to-equity ratio (%)	158,1	166,3	169,1	(8,2) p.p.	(11,1) p.p.
Equity-to-non-current assets ratio (%)	73,1	73,3	63,5	(0,2) p.p.	9,6 p.p.
Interest-bearing debt-to-equity ratio (%)	70,7	73,4	67,3	(2,8) p.p.	3,4 p.p.
Net borrowings-to-EBITDA (times)	1,47x	1,37x	1,70x	0,10	(0,22)
EBITDA-to-interest (times)	9,8x	9,9x	4,9x	(0,1)	4,9

As at the end of September 2013 debt to equity ratio amounted to 158.1% and was lower by 8.2 p.p. compared to the end of June 2013 and lower by 11.1 p.p. compared to the end of September 2012.

Equity to non-current assets amounted to 73.1% as at the end of the third quarter of 2013 and was lower by 0.2 p.p. than as at the end of June 2013 and higher by 9.6 p.p. than as at the end of September 2012.

Interest bearing debt to equity ratio amounted to 70.7% as at the end of the third quarter of 2013 and was lower by 2.8 p.p. compared to the end of June 2013 and higher by 3.4 p.p. compared to the level of this factor calculated at the end of September 2012.

Net borrowings to EBITDA calculated for the last 12 months ended 30th September 2013 amounted to 1.47x compared to 1.37x as for the analogous period ended 31st June 2013 and

1.70x for the twelve months period ended 30th September 2012.

EBITDA to interest amounted to 9.8x for the twelve months ended 30th September 2013, 9.9x for the twelve months period ended 31st June 2013 and 4.9x for the twelve months period ended 30th September 2012.

The above levels of factors include profit on occasional acquisition of Rottneros AB recognized in the fourth quarter of 2012 in the amount of PLN 204 million. After exclusion of the aforementioned operation from the calculation of factors, net borrowings to EBITDA calculated for twelve months period ended 30th September 2013 amounted to 5.33x and EBITDA to interest amounted to 2.59x.

Liquidity analysis

Liquidity ratios

	3Q 2013	2Q 2013	3Q 2012	Change 3Q2013/ 2Q2013	Change 3Q2013/ 3Q2012
Current liquidity ratio	**1,0x**	**1,0x**	**0,9x**	**0,0**	**0,0**
Quick liquidity ratio	**0,5x**	**0,5x**	**0,6x**	**0,0**	**(0,0)**
Acid test ratio (cash liquidity)	**0,1x**	**0,1x**	**0,2x**	**(0,0)**	**(0,1)**
Inventory turnover DSI (days)	47,1	49,0	43,6	(1,9)	3,5
Receivables turnover DSO (days)	40,8	42,5	42,0	(1,7)	(1,2)
Liabilities turnover DPO (days)	42,7	43,9	55,4	(1,2)	(12,7)
Operating cycle (days)	87,9	91,5	85,7	(3,6)	2,3
Cash conversion cycle (days)	**45,2**	**47,6**	**30,3**	**(2,4)**	**14,9**

Current liquidity ratio amounted to 1.0x as at the end of September 2013 and did not significantly change compared to as at the end of June 2013 and as the end of September 2012.

Quick liquidity ratio did not significantly change in the analyzed periods and amounted to 0.5x as at the end of September 2013.

Acid test ratio did not significantly change in the analyzed periods and amounted to 0.1x as at the end of September 2013.

Cash conversion cycle in the third quarter of 2013 slightly shortened compared to the second quarter of 2013 (by 2.4 days) and was almost 15 days longer than as at the end of the third quarter of 2012.

Consolidated cash flow statement

Selected items of the consolidated cash flow statement

PLN thousands	3Q 2013	2Q 2013	3Q 2012	YTD 2013	YTD 2012	Change % 3Q'13/ 2Q'13	Change % 3Q'13/ 3Q'12	Change % YTD'13/ YTD'12
Cash flow from operations	28 167	22 407	9 015	(24 478)	71 500	25,7	212,5	(134,2)
including:								
EBT	*(16 082)*	*(103 464)*	*(1 140)*	*(125 018)*	*10 253*	*(84,5)*	*1 310,1*	*(1 319,4)*
Depreciation	*30 595*	*98 494*	*31 344*	*161 145*	*92 056*	*(68,9)*	*(2,4)*	*75,1*
Δ in working capital	*(4 406)*	*14 438*	*(29 701)*	*(78 951)*	*(53 200)*	*(130,5)*	*(85,2)*	*48,4*
Other corrections	*18 060*	*12 939*	*8 513*	*18 347*	*22 390*	*39,6*	*112,2*	*(18,1)*
Cash flow investing activities	(26 913)	(24 406)	(14 631)	(76 521)	(35 231)	10,3	84,0	117,2
Cash flow financing activities	(19 031)	16 768	(8 686)	16 744	(65 499)	(213,5)	119,1	(125,6)
Total Cash Flow	**(17 776)**	**14 770**	**(14 301)**	**(84 255)**	**(29 230)**	**(220,4)**	**24,3**	**188,2**

Cash flows from operating activities

In the third quarter of 2013 net cash flows from operating activities amounted to PLN +28,176 thousand compared to PLN +9,015 thousand in the corresponding period of 2012. Positive cash flows from operating activities in the third quarter of 2013 resulted mainly from positive EBITDA achieved in this period.

In three quarters of 2013 cash flows from operating activities amounted to PLN -24,478 thousand compared to PLN +71,500 thousand in the corresponding period of 2012. Negative cash flows from operating activities in three quarters of 2013 resulted mainly from gross loss and changes in working capital.

Cash flows from investment activities

In the third quarter of 2013 cash flows from investment activities amounted to PLN -26,913 thousand compared to PLN -14,631 thousand in the 2012. Higher expenses were related to greater expenditures for purchase of property, plant and equipment.

In three quarters of 2013 cash flows from investment activities amounted to PLN -76,521 thousand compared to PLN -35,231 thousand in the same period of 2012. Higher investment expenses in three quarters of 2013 were related to greater expenditures for purchase of property, plant and equipment and the acquisition of non-controlling shares in Rottneros AB.

Cash flows from financial activities

Cash flows from financial activities in the third quarter of 2013 amounted to PLN -19,031 thousand compared to PLN -8,686 thousand in the corresponding period of 2012. In the third quarter of 2013, negative cash flows from financial activities comprised repayment of indebtedness on the grounds of overdrafts and bank loans, repayment of liabilities from factoring agreements as well as payment of interest.

Cash flows from financial activities in three quarters of 2013 amounted to PLN +16,744 thousand compared to PLN -65,499 thousand in the corresponding period of 2012. In three quarters of 2013, positive cash flows from financial activities related mainly to increase of overdraft debts, inflows on the grounds of factoring agreements and a loan granted by Arctic Paper S.A. main shareholder.

Summary of standalone financial results

Standalone income statement

Selected items of the condensed income statement

PLN thousands	3Q 2013	2Q 2013	3Q 2012	YTD 2013	YTD 2012	Change % 3Q2013/ 2Q2013	Change % 3Q2013/ 3Q2012	Change % YTD2013/ YTD2012
Revenues:	**13 333**	**83 773**	**19 847**	**112 861**	**93 426**	**(84)**	**(33)**	**21**
including:								
Sales of services	*8 071*	*13 844*	*12 951*	*31 916*	*25 725*	*-42*	*-38*	*24*
Loans interest	*5 222*	*-5 187*	*6 896*	*5 790*	*19 849*	*-201*	*-24*	*-71*
Income from dividends	*40*	*75 115*	*-*	*75 155*	*47 852*	*-100*	*-*	*57*
Gross profit on sales	11 348	80 984	19 847	105 044	93 426	(86)	(43)	12
Gross profit on sales margin %	*85,11*	*96,67*	*100,00*	*93,07*	*100,00*	*(11,6) p.p.*	*(14,9) p.p.*	*(6,9) p.p.*
Sales costs	(710)	(720)	(685)	(2 171)	(685)	(1)	4	217
Administrative expenses	(5 222)	(9 874)	(7 272)	(21 752)	(20 125)	(47)	(28)	8
Other operating income	1	87	67	144	368	(98)	(98)	(61)
Other operating cost	(856)	(186 242)	(51)	(187 167)	(26 619)	(100)	1 577	603
EBIT	**4 561**	**(115 765)**	**11 906**	**(105 902)**	**46 365**	**(104)**	**(62)**	**(328)**
EBIT margin %	*34,21*	*(138,19)*	*59,99*	*(93,83)*	*49,63*	*172,4 p.p.*	*(25,8) p.p.*	*(143,5) p.p.*
EBITDA	**4 585**	**78 533**	**11 935**	**(105 819)**	**46 448**	**(94)**	**(62)**	**(328)**
EBITDA margin %	*34,39*	*93,75*	*60,14*	*(93,76)*	*49,72*	*(59,4) p.p.*	*(25,7) p.p.*	*(143,5) p.p.*
Financial income	19	61	82	1 450	193	(69)	(77)	652
Financial cost	(558)	(688)	(6 789)	(1 374)	(18 622)	(19)	(92)	(93)
EBT	**4 022**	**(116 392)**	**5 199**	**(105 826)**	**27 935**	**(103)**	**(23)**	**(479)**
Corporate income tax	-	-	-	-	-	-	-	-
Net profit/(loss)	**4 022**	**(116 392)**	**5 199**	**(105 826)**	**27 935**	**(103)**	**(23)**	**(479)**
Net profit margin %	*30,16*	*(138,94)*	*26,19*	*(93,77)*	*29,90*	*169,1 p.p.*	*4,0 p.p.*	*(123,7) p.p.*

Revenue, profit on sales, sales costs

The main statutory activity of the Company is holding activity consisting in managing of entities belonging to the controlled Capital Group. Operating activity of Arctic Paper Group is conducted through paper mills and pulp mills, distribution companies and sales offices.

Sales revenue for the third quarter of 2013 amounted to PLN 13,333 thousand and comprised services rendered for entities belonging to the Group (PLN 8,071 thousand) and interest on loans (PLN 5,222 thousand), as well as dividend income of PLN 40 thousand. In the same period of the previous year standalone sales revenue amounted to PLN 19,847 thousand and comprised services rendered to the Group entities (PLN 12,951 thousand) and interest from loans (PLN 6,896 thousand).

Standalone sales revenue for three quarters of 2013 amounted to PLN 112,861 thousand and comprised services rendered for entities belonging to the Group (PLN 31,916 thousand), interest on loans (PLN 5,790 thousand) as well as dividend income (PLN 75,155 thousand).

In the corresponding period of the previous year the standalone sales revenue amounted to PLN 93,426 thousand and comprised service rendered for entities belonging to the Group (PLN 25,725 thousand), interest on loans (PLN 19,849 thousand) as well as dividend income (PLN 47,852 thousand).

The increase of sales revenue in three quarters of 2013 compared to the analogous period of 2012 is mainly due to increase of revenue from agency services on pulp procurement and sales and dividends received.

Cost of interest on loans taken from Group companies has been presented as operating cost and decreased the sales revenue.

Sales revenue in the third quarter of 2013 amounted to PLN 11,348 thousand (in the third quarter of 2012: PLN 19,847 thousand) and to PLN 105,044 thousand for three quarters of 2013 (PLN 93,246 thousand for three quarters of 2012).

Cost of sales

In the third quarter of 2013 the Company recognized PLN 710 thousand of sales cost (PLN 685 thousand in the third quarter of 2012). In three quarters of 2013 the Company recognized PLN 2,171 thousand of sales cost (PLN 685 thousand in three quarters of 2012).

Cost of sales fully concerns costs related to pulp procurement agency. Sales of pulp to Group companies started in July 2012.

Administrative expenses

In the third quarter of 2013 administrative expenses amounted to PLN 5,222 thousand and were lower compared to the analogous period of the previous year by PLN 2,050 thousand. In three quarters of 2013 administrative expenses amounted to PLN 21,752 thousand compared to PLN 20,125 thousand in the corresponding period of 2012.

Administrative expenses of the company include costs of the administration of the Company operation, costs of services provided to companies in the Group and all costs incurred by the company for the purpose of holding company activities. Among those costs, a significant group of costs can be distinguished that applies 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 cost

Other operating income amounted to PLN 1 thousand in the third quarter of 2013 which represents a decrease by PLN 66 thousand compared to analogous period of 2012. Other operating cost totaled PLN 856 thousand in the third quarter of 2013.

In three quarters of 2013 other operating income and cost amounted respectively to PLN +144 thousand and PLN -187,167 thousand and for the corresponding period of 2012 respectively to PLN +368 thousand and PLN -26,619 thousand.

High other operating cost in three quarters of 2013 result mainly from impairment of loans granted to Arctic Paper Investment AB and from impairment of shares in Arctic Paper Investment GmbH, as well as from allowance for trade receivables from Arctic Paper Investment GmbH and Arctic Paper Mochenwangen GmbH, accounted mainly as on 30th June 2013.

Financial income and cost

In the third quarter of 2013 financial income amounted to PLN 19 thousand and was lower compared to financial income achieved in the third quarter of 2012 by PLN 63 thousand.

Financial cost in the third quarter of 2013 amounted to PLN 558 thousand. In the analogous period of 2012 financial cost amounted to PLN 6,789.

In three quarters of 2013 financial income and cost amounted respectively to PLN +1,450 thousand and PLN -1,374 thousand and for the corresponding period of 2012 respectively PLN +193 thousand and PLN -18,622 thousand. Higher financial cost in 2012 resulted mainly from interest on bonds.

Statement of financial position

Selected items of the standalone balance sheet

PLN thousands	30/09/2013	31/12/2012	30/09/2012	Change 30/09/2013 -31/12/2012	Change 30/09/2013 -30/09/2012
Non-current assets	886 581	1 024 309	954 128	(137 728)	(67 547)
Inventory	-	-	-	-	-
Receivables	43 401	31 612	56 036	11 789	(12 635)
Other current assets	21 542	27 240	33 031	(5 698)	(11 489)
Cash and equivalents	4 053	30 356	10 101	(26 303)	(6 048)
Total assets	**955 577**	**1 113 516**	**1 053 295**	**(157 940)**	**(97 718)**
Equity	763 789	850 198	798 076	(86 410)	(34 288)
Short-term liabilities	21 643	132 216	253 352	(110 573)	(231 709)
Long-term liabilities	170 145	131 102	1 867	39 043	168 278
Total equity and liabilities	**955 577**	**1 113 516**	**1 053 295**	**(157 940)**	**(97 718)**

As on 30th September 2013 total assets amounted to PLN 955,577 thousand compared to PLN 1,113,516 thousand as at the end of 2012.

Non-current assets

As at the end of September 2013 non-current assets represented nearly 92.8% of total assets which means this share slightly increased (by 0.8 p.p.) compared to the end of 2012. The main position in non-current assets is shares in subsidiaries. Total value of this position as at the end of the third quarter of 2013 was PLN 884,103 thousand compared to PLN 1,021,820 thousand at the end of 2012. The decrease of value of shares in subsidiaries results from the allowance on shares in Arctic Paper Investment AB by the amount of PLN 134,700 thousand and Arctic Paper Investment GmbH by the amount of PLN 59,574 thousand, while an increase of investment in that company occurred by PLN 14,673 thousand. The increase of investment occurred also in Rottneros AB as a result of further purchases of shares (PLN 27,408 thousand), and in Arctic Paper Investment AB – interest on loan accounted as shares (PLN 14,476 thousand) .

Current assets

Current assets as at the end of September 2013 amounted to PLN 68,996 thousand compared to PLN 89,208 thousand as at the end of 2012. Current assets in three quarters of 2013 decreased, particularly in cash and cash equivalents. As at the end of the third quarter of 2013 current assets represented 7.2% of total assets compared to 8.0% as at the end of the previous year.

Equity

Equity amounted to PLN 763,789 thousand as at the end of the third quarter of 2013 compared to PLN 850,198 thousand as at the end of 2012. Equity amounted to 79.9% of total equity and liabilities as at the end of September 2013 whereas as at the end of 2012 it represented 76.4% of total equity and liabilities. The decrease of equity is mainly due to net loss of three quarters of 2013.

Short-term liabilities

As at the end of September 2013 short-term liabilities amounted to PLN 21,643 thousand (2.3% of total equity and liabilities) compared to PLN 132,216 thousand as at the end of 2012 (11.9% of total equity and liabilities). The decrease of short-term liabilities resulted primarily from repayment of bonds in the end of February 2013.

Long-term liabilities

Long-term liabilities as at the end of September 2013 amounted to PLN 170,145 thousand (17.8% of total equity and liabilities) compared to PLN 131,102 thousand (11.7% of total equity and liabilities) as at the end of 2012. The value of long-term liabilities changed by the amount of the loan taken from AP Kostrzyn S.A. in February 2013 for the purpose of repayment of bonds in February 2013 and in the amount of a loan granted by Mr. Thomas Onstad in the third quarter of 2013 (EUR 4,000 thousand).

Cash flows

Selected items of the standalone cash flow statement

PLN thousands	3Q 2013	2Q 2013	YTD 2013	YTD 2012	Change % 3Q'13/ 2Q'13	Change % YTD'13/ YTD'12
Cash flow from operations	(19 736)	(609)	54 780	41 506	3 140,9	32,0
including:						
EBT	*4 022*	*(116 392)*	*(105 826)*	*27 935*	*(103,5)*	*(478,8)*
Depreciation and impairment of non-current assets	*24*	*194 298*	*194 352*	*83*	*(100,0)*	*234 034,1*
∆ in working capital	*(21 562)*	*(3 033)*	*(31 152)*	*(18 177)*	*610,8*	*71,4*
Interest and dividend (net)	*331*	*(1 302)*	*1 332*	*13 750*	*(125,4)*	*(90,3)*
Other corrections	*(2 550)*	*(74 180)*	*(3 926)*	*17 915*	*(96,6)*	*(121,9)*
Cash flow investing activities	(2)	(4 600)	(22 525)	(27 320)	(100,0)	(17,6)
Cash flow financing activities	16 647	2 304	(58 559)	(27 846)	622,5	110,3
Total Cash Flow	**(3 090)**	**(2 905)**	**(26 303)**	**(13 659)**	**6,4**	**92,6**

Cash flows statement presents a decrease in cash and cash equivalents in three quarters of 2013 by PLN 26,303 thousand which includes:

- positive cash flows from operating activities in the amount of PLN +54,780 thousand,
- negative cash flows from investment activities in the amount of PLN -22,525 thousand,
- negative cash flows from financial activities in the amount of PLN -58,559 thousand.

Cash flows from operating activities

In three quarters of 2013 net cash flows from operating activities amounted to PLN +54,780 thousand compared to PLN +41,506 thousand in the same period of 2012. Receiving the last tranche of the loan taken from AP Kostrzyn for the repayment of the last portion of bonds was the main reason for positive cash flows from operating activities in three quarters of 2013.

Cash flows from investment activities

In nine months of 2013 cash flows from investment activities amounted to PLN -22,525 thousand compared to PLN -27,320 thousand in the analogous period of the previous year. The main positions in negative cash flows from investment activities in 2013 were expenses related to further acquisition of Rottneros AB shares in cash and the increase of shares In Arctic Paper Investment GmbH.

Cash flows from financial activities

Cash flows from financial activities in nine months of 2013 amounted to PLN -58,559 thousand compared to PLN -27,846 thousand in the analogous period of 2012. Cash flows from financial activities in nine months of 2013 were influenced by repayment of bonds together with interest. The repayment of nominal value of bonds in the first quarter of 2013 caused a significant increase in these activities. On the other hand, inflow of the loan taken from Mr. Thomas Onstad in the third quarter of 2013 decreased expenses in financial activities.

Relevant information and factors influencing financial results and evaluation of financial standing

Key factors affecting the performance results

The Group's operating activity has been historically and will be in the future 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 exchange rates 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 our operating results. Those factors include:

- GDP growth;
- net income – as a measure of income and prosperity of the population;
- production capacities – oversupply lingering in the segment of fine papers and decline of margins on paper sales;
- paper consumption;
- technological development.

Paper prices

Paper prices undergo cyclic changes and fluctuations, depend on global changes in demand and overall macroeconomic and other economic factors, as those indicated above. The prices of paper are also influenced by a number of factors connected with the supply, primarily changes in production capacities at the international and European level.

Costs of raw materials, energy and transportation

The main elements of the Group's operating expenses are costs of 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. Our energy costs, historically, include mostly costs of electricity, natural gas, coal and fuel oil. Costs of transportation include the costs of transportation services rendered to the Group mainly by external service providers.

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

Part of pulp supplies to our paper mills is realized from Rottneros pulp mills. The rest of pulp produced in pulp mills is sold to external customers.

Currency exchange fluctuations

Our operating results are significantly influenced by currency exchange rates fluctuations. In particular, our revenues and costs are expressed in different foreign currencies and are not matched, therefore, the appreciation of currencies in which we incur costs towards currencies in which we generate revenues, will have an adverse effect on our results. We sell our products in all EURO zone countries, the Nordic countries, Poland and UK; therefore, our revenues are to a great extent expressed in EUR, GBP, SEK and PLN, while the revenues of pulp mills are primarily dependent on USD. The Group's operating expenses are primarily expressed in USD (pulp costs for paper mills), EUR (costs related to pulp for paper mills, energy, transportation, chemicals and a majority of costs related to the operations of the Mochenwangen paper mill), PLN (the majority of other costs incurred by the mill in Kostrzyn nad Odrą) and

SEK (the majority of other costs incurred by the Munkedal and Grycksbo mills as well as Rottneros and Vallvik pulp mills).

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

Unusual events and factors

In the third quarter of 2013 there were no unusual events or factors.

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

In connection with the acquisition of 39.66% of Rottneros AB shares and taking the control over Rottneros Group in December 2012, as well as further increase of Arctic Paper S.A. share in Rottneros AB share capital (up to 54.2% as on 26th February 2013), the consolidated income statement of Arctic Paper Capital Group for the period of 1st January 2013 until 30th September 2013 includes income statement of Rottneros Group for the analogous period. Net result and other comprehensive income of Rottneros Group were divided between shareholders of the parent entity and non-controlling shares proportionally to the share in the share capital of Rottneros AB.

In the third quarter of 2013 there were no other relevant changes in Arctic Paper Group's structure that would have material influence on the financial result achieved.

Other material information

On 25th February 2013, according to the provisions of issue agreement dated 11th February 2010 (as amended), Arctic Paper S.A. performed a repayment of bonds series A and B for the total amount of PLN 71,900 thousand together with interest. Therefore the Company performed a full repayment of bonds series A and B.

In three quarters of 2013, Arctic Paper S.A. and Arctic Paper Kostrzyn S.A. performed increase of reserve capital in Arctic Paper Investment GmbH in the amount of EUR 3,407 thousand. The value of shares in Arctic Paper Investment increase under these transactions by PLN 14,702 thousand up to PLN 69,603 thousand. However, in its accounting books Arctic Paper S.A. reports value of shares in Arctic Paper Investment GmbH in the amount of PLN 0 thousand because of the permanent impairment allowance performed in 2013 in the amount of PLN 59,574 thousand (the amount of PLN 10,000 was written off in 2012).

In the third quarter of 2013, Arctic Paper S.A. received a long-term loan from Mr. Thomas Onstad, the major indirect shareholder of the Company and a Member of the Supervisory Board, in the amount of EUR 4,000 thousand.

On 5th November 2013, Arctic Paper Kostrzyn S.A. concluded Annex 1 to the loan agreement dated 6th November 2012 ("Loan Agreement) concluded with the consortium of banks: Bank Pekao S.A., Bank Zachodni WBK S.A. and BRE Bank S.A., under which the parties prolonged the payment term of the short-term portion of the loan in the amount of PLN 59,000 thousand ("Loan B") until 6th December 2013. The amendment is of technical nature and related to discussion with banks concerning covenant waiver under the Loan Agreement. The Agreement has been described in details in note 32.2 of the annual consolidated financial statements for 2012. The Company also reported about the Loan Agreement in current report no 19/2012.

On the 11th of November Arctic Paper S.A. sold 4,495,456 shares in Rottneros AB, decreasing its share in the company by 2.9%, therefore Arctic Paper S.A. currently holds 51,3% share in the Rottneros Group.

Factors influencing Arctic Paper Group development

Information on market tendencies

Supplies of fine papers

Supplies of fine papers to the European market in the third quarter of 2013 were lower compared to the third quarter of 2012 by app. 4.9%. Supplies in the segment of uncoated wood-free paper (UWF) were lower by 4.3%, while those in the segment of coated wood-free paper (CWF) were lower by 5.5%.

Compared to the second quarter of 2013 the supplies of fine papers were approximately 1.1% lower. In the analyzed period supplies in the segment of uncoated wood-free paper (UWF) were 6.1% lower, while those in the segment of coated wood-free paper (CWF) were 4.9% higher.

Supplies of fine papers to the European market in nine months of 2013 were lower compared to the same period of 2012 by 6.8%. Supplies in the segment of uncoated wood-free paper (UWF) were lower by 5.4%, while those in the segment of coated wood-free paper (CWF) were lower by 8.3%.

In 3Q 2013 Arctic Paper Group sales volume was 2.3% higher than in 2Q 2013 and 8.8% lower than in the corresponding period of 2012.

Data source: EuroGraph, RISI, Arctic Paper analysis

Paper prices

In the third quarter of 2013 fine papers prices in Europe experienced a decrease compared to prices at the end of 2Q 2012. Average price decrease amounted to 1.9% for UWF and 1.7% for CWF.

Between July and September 2013, average UWF prices declared by producers for the selected products and markets of Germany, France, Spain, Italy and United Kingdom, expressed in EUR and GBP, changed in the range of -2.4% to -1.4%. The average CWF prices in the same period changed from -1.7% to -1.6%.

As at the end of the third quarter, the average prices decreased by app. 3.4% for UWF and 1.9% for CWF, compared to the same period of the previous year.

Prices invoiced by Arctic Paper in EUR of comparable products in the segment of uncoated wood-free paper changed from July to September 2013 by from -3.3% to -1.1%, and in the segment of coated wood-free paper by from -4.7% to +0.8%.

Source: For market data - RISI, price changes for chosen markets in Germany, France, Spain, Italy and United Kingdom in local currencies for graphic papers similar to product portfolio of the Arctic Paper Group. Prices are expressed excluding specific rebates for individual clients and they include neither additions nor price reductions in relation to publicly available price lists. Estimated prices for particular month reflect orders made in that month, whereas their deliveries may take place in the future. Because of that, RISI price estimations for a particular month do not reflect real prices by which deliveries are realized buy 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 the third quarter of 2013 pulp prices reached a level of USD 871 per ton for NBSK and USD 774 per ton for BHKP. The average pulp price in 3Q 2013 was higher by 9.3% for NBSK while higher by 3.5% for BHKP, compared to the same period of the previous year. In the third quarter of 2013 the average pulp price was higher by 1.2% for NBSK and lower by 2.3% for BHKP, compared to the second quarter of 2013.

The average cost of pulp per ton as calculated for the AP Group, expressed in PLN, in 3Q 2013 increased by 2.2% compared to 2Q 2013 and increased by 0.2% compared to 3Q 2012.

The share of pulp costs in own costs of paper sales in the third quarter of 2013 amounted to 48% and was lower compared to 50% in the 3Q of 2012.

Arctic Paper Group uses the pulp in the production process according to the following structure: BHKP 63%, NBSK 17% and other 20%.

Source: www.foex.fi, Arctic Paper analysis

Currency exchange rates

The EUR/PLN exchange rate at the end of the third quarter of 2013 amounted to 4.2163 and was lower by 2.6% than at the end of the second quarter of 2013 and higher by 2.5% than at the end of the third quarter of 2012. The average exchange rate in the third quarter of 2013 was higher in the second quarter of 2013 and amounted to 4.2487 compared to 4.1988 (1.2%). The average exchange rate in the third quarter of 2013, compared to the corresponding of the previous year, was 2.6% higher.

EUR/SEK exchange rate at the end of the third quarter of 2013 dropped to 8.6719 from 8.7689 as at the end of the second quarter of 2012 (-1.1%). For this pairing, the average rate in the third quarter of 2013 was higher by 1.3% than in the second quarter of 2013. The average exchange rate in the third quarter of 2013 was 2.7% higher than in the corresponding period of 2012.

These changes mean depreciation of PLN towards EUR and depreciation of SEK towards EUR occurred in the third quarter of 2013 compared to the second quarter of 2013. Slight depreciation of SEK towards EUR has a positive impact on financial results of the Group, particularly in relation to sales income generated by Swedish mills that are dependent on prices expressed in EUR.

At the end of the third quarter of 2013 USD/PLN rate was 5.9% lower than at the end of the second quarter of 2013 and amounted to 3.1227. In the third quarter of 2013 the average USD/PLN exchange rate amounted to 3.2088 compared to 3.2147 in the second quarter of 2013, which means a slight appreciation of PLN by 0.2%.

At the end of the third quarter of 2013, USD/SEK rate amounted to 6.4227 and was 4.4% lower than at the end of the second quarter of 2013. The average exchange rate in the third quarter of 2013 amounted to 6.5532 and remained at a level very similar to the second quarter of 2013.

The changes of USD/PLN and USD/SEK, mainly in the end of the quarter, caused a slight decrease of price paid in PLN and SEK for a ton of pulp, minimally reduced the significant increase of NBSK pulp price and enhanced the BHKP pulp price drop compared to prices in 2Q 2013.

At the end of September 2013, EUR/USD rate amounted to 1.3502 compared to 1.3050 (+3.5%) at the end of June 2013 and to 1.2945 (+4.3%) at the end of September 2012. In the third quarter of 2013 the average exchange rate amounted to 1.3244 compared to 1.3062 (+1.4%) in the second quarter of 2013.

Slight depreciation of PLN towards EUR and of SEK towards EUR should have a favorable impact on the financial results of the Group, mainly because of the sales revenue increase generated in EUR and expresses in PLN and SEK.

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

Material factors, which have an impact on the financial results in the perspective of the next quarter, include:

- Demand for fine papers in Europe. In the third quarter of 2013 there was a significant decline of demand for fine papers in Europe (based on levels of supplies realized). Further adverse turnout of market situation will unfavorably influence levels of orders to our mills and, as a result, will have an adverse impact on financial results of the Group.
- The levels of fine papers prices, in particular, being able to raise the prices of Arctic Paper products in local currencies, in reference to diminishing deliveries/demand in Europe and in connection with exchange rates fluctuations. Paper prices are going to be of particular importance for paper mills of Grycksbo and Mochenwangen, which, in connection with market changes, experience the greatest adverse impact of decline of sales volume, prices, as well as, in case of AP Grycksbo, of exchange rates fluctuations.
- Prices fluctuations of raw materials, including pulp for paper mills and electricity for all operational entities. In particular, financial results of paper mills may be adversely influenced by increasing pulp prices, particularly BHKP. On the other hand, increasing NBSK prices should positively influence financial results of pulp mills. A material impact on results achieved by the Group may be caused by fluctuations of electricity prices in Sweden. In future, such market changes may translate to changes of sales profitability in paper mills of AP Munkedals and AP Grycksbo as well as in pulp mills of Rottneros and Vallvik.
- 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 depreciation of PLN and SEK in relation to USD, may have an adverse effect on the financial results. However, our pulp mills may benefit from appreciation of USD in relation to SEK.

Risk factors

Significant changes in risk factors

In the third quarter of 2013 there were changes regarding risk factors as described in annual report for 2012.

Particularly, as on 30th June 2013 and 30th September 2013, the Group did not keep the levels of selected financial ratios as defined in loan agreements concluded with banks. On 4th October 2013, the Issuer and its subsidiary, Arctic Paper Grycksbo AB, finalized the first stage of negotiations with banks which finance the Group entities. As a result, Svenska Handelsbanken AB set the payment term of Arctic Paper Grycksbo AB overdraft on 30th March 2014 and granted Arctic Paper Grycksbo AB a covenant waiver concerning solidity ratio and interest coverage ratio as set in the Loan Agreement until 30th March 2014.

Moreover, particular suppliers of Arctic Paper Group lost their insurance limits for the supplies to mills, which caused shortening of payment terms for these suppliers, and mills.

The detailed description of these risks has been included in section Risk factors connected with the Group’s activities.

The acquisition of Rottneros Group in December 2012 did not increase the number of risk factors but only changed the influence directions of some of them, particularly of pulp prices changes and USD/SEK exchange rate fluctuations. The influence of risk factors on Arctic Paper Group, having taken Rottneros Group into consideration, has been described in detail below.

Risk factors connected with the Group’s environment

The order in which the following risk factors are presented does not reflect the likelihood of their occurrence, scope or significance of the risks.

Risk connected with stronger competition on the paper market in Europe

Our Group operates in a highly competitive market. The accomplishment of the strategic objectives assumed by the Group can be difficult because of the activities of competitors, in particular, integrated paper producers operating on a larger scale than our Group. A potential growth of competition resulting from a possible increase in production capacities of our competitors, and thus, increase in the paper supply on the market, may have an adverse effect on the achievement of planned revenues and the ability to achieve financial and operating assumptions made.

Risk of changes of law

Our Group operates in a legal environment characterized by a high level of uncertainty. Regulations concerning our activities are often amended and sometimes there is no uniform interpretation, which involves a risk of a breach of applicable regulations and related consequences, even if the breach of law is inadvertent. Furthermore, changes in environmental protection and other regulations may result in significant expenditures to ensure compliance, among other things, with more restrictive regulations or stricter implementation of applicable regulations concerning surface water, ground water, soil and air protection.

Foreign exchange rates risk

The Group's revenues, costs and results are exposed to the risk of change of currency exchange rates, in particular, PLN and SEK to EUR, GBP and other currencies. Our Group exports a large part of the produced paper to the European markets, generating a significant part of Group's sales revenues in EUR, GBP, PLN and SEK. Revenues on pulp sales in pulp mills are dependent on USD. The costs of procurement of raw materials for paper production, in particular of pulp for paper mills, are paid mainly in USD and EUR. Furthermore, we have obligations on account of loans taken in PLN, EUR and SEK. The currency used in financial statements is PLN, and therefore, our revenues, costs and results achieved by the subsidiary companies situated abroad are dependent on the levels of currency exchange rates. Thus, currency exchange rates may have a strongly adverse effect on the Group's results, financial standing and outlook.

The risk of changes in interest rates

The Group is exposed to the risk of changes in interest rates, mainly due to an existing coupon debt. This risk results from fluctuation in the benchmark interest rate such as WIBOR for debt in PLN, EURIBOR for the debt in EUR and STIBOR for debt in SEK. Negative changes in interest rates may adversely affect the results, financial situation and prospects of the Group.

Risk of the growing importance of alternative media

The trends in advertising, electronic transmission and storage of data, as well as Internet, may have an adverse effect on traditional print media, and in consequence, on the products of the Group and its customers, but it is not possible to predict the timing or scope of those trends with a high degree of certainty.

Risk factors connected with the Group's activities

The order in which the following risk factors are presented does not reflect the likelihood of their occurrence, scope or significance of the risks.

Risk connected with relative low operating margins

Historically the Group's operating results have been characterized by relatively high volatility and low operating margins. The decline in revenues caused, among other things, by a change of production capacities, productivity, pricing policy or increase in operating expenses, the main components of which are the costs or raw materials (mainly pulp for paper mills) and energy, may lead to the loss of Group's ability to generate profits. Material adverse changes of profitability can lead to a decline in the value of our shares and limit our ability to generate working capital, bringing about serious damage to our business and significantly worsening our prospects.

Risk of changes of prices of raw materials, energy and products

We are exposed to risk of changes of prices of raw materials and energy primarily in connection with the changing prices of pulp, fuel oil, diesel oil, coal and electricity. The Group buys pulp under framework agreements or one-time transaction and does not hedge against pulp price fluctuations. A part of pulp supplies for Arctic Paper paper mills comes from Rottneros pulp mills. Neither does the Group hedge against the risk of an increase in coal and fuel oil prices used at AP Mochenwangen mill. The risk of change of prices of products is connected primarily with changes of paper and pulp prices in markets where we sell our products. Any significant increase in the prices of one or more than one raw material and energy can have an adverse effect on the Group's results on operating activities and financial standing.

Risk of disturbance in production process

Our Group has four paper mills with ten production lines in total, with the aggregate annual production capacities of approx. 800,000 tons of paper and two pulp mills with the aggregate production capacities of 410,000 tons of pulp. Any lasting disturbance of the production process can be caused by a number of factors, including an emergency failure, human errors, unavailability of raw materials, a natural disaster and other, which often are beyond our control. Any distortion, even relatively short, may have a material impact on our production and profitability and may involve significant costs such as repair, liability towards customers, whose orders we are not able to carry out and other expenditures.

Risk connected with our investment projects

The Group's investment projects in order to enhance the Group's production capacities generally require significant investments and relatively long period of implementation. Therefore, the market conditions in which we operate can change significantly between the time when we make a decision on making investments in increasing production capacities and the time when the increased production capacities become operational. A change of market conditions can lead to fluctuations of demand for our products, which may be too low in the context of the additional production capacities. The differences between the future demand and investments in new production capacities may lead to the increased production capacities not being fully used. This may have an adverse effect on the Group's operations and financial standing.

Risk connected with the Group's debt

Our Group has indebtedness on account of a loan agreement with a consortium of banks (Bank Pekao S.A., Bank Zachodni WBK S.A. and BRE Bank S.A.) dated 6th November 2012, credit debts in Svenska Handelsbanken and Danske Bank as well as lease agreements.

As on 30th June 2013 and 30th September 2013, the Group did not keep the levels of selected financial ratios as defined in loan agreements concluded with the consortium of banks (Bank Pekao S.A., Bank Zachodni WBK S.A. and BRE Bank S.A.) and with Svenska Handelsbanken. The breach of financial ratios concerned net debt-to-EBITDA ratio for the whole Group as well as solidity ratio and interest coverage ratio for one of the paper mills. On 4th October 2013, the Issuer and its subsidiary, Arctic Paper Grycksbo AB, finalized the first stage of negotiations with banks which finance the Group entities. As a result, Svenska Handelsbanken AB set the payment term of Arctic Paper Grycksbo AB overdraft on 30th March 2014 and granted Arctic Paper Grycksbo AB a covenant waiver concerning solidity ratio and interest coverage ratio as set in the Loan Agreement until 30th March 2014.

Failure to keep the level of financial ratios defined in the loan agreement and leasing agreements, may give rise to breaches of the agreement. If an event of default occurs, it could lead in particular to bring in a state of maturity of our debt, the bank can take over control over critical assets such as the paper mills and/or pulp mills, loss of other collateralized assets, credibility reduction and a loss of access to external sources of finance, and consequently, a loss of financial liquidity, which may have an adverse effect on our business and outlook, and our stock prices.

The Company keeps permanent contact with the banks that finance the Group. The loan concluded with the consortium of banks (Bank Pekao S.A., Bank Zachodni WBK S.A and BRE Bank S.A.), includes additional feature which makes the possibility of dissolution of the loan agreement by the banks and realization of collaterals conditional on declared default. Until the day of publishing of the hereby report, the Group has not received covenant waiver and has not received any information confirming breach of the agreement, either. The Group has not received any notice for the dissolution of loan agreements or lease agreements. The Management Board expects to receive a proper covenant waiver before the end of the year 2013.

Nonetheless, it is worth to be pointed out that we might be unable to repay or refinance our indebtedness on the grounds of loans and leases on time.

Risk connected with insurance limits

In connection with the declining situation in paper industry and the worsening Arctic Paper Group financial results, our suppliers, particularly of such raw materials as pulp, may not fulfill the insurance limits (credited sales), and, as a result, lose the ability to offer favorable payment terms to Arctic Paper Group. Such situation may lead to worsening of financial situation and losing of financial liquidity by particular operating entities and, consequently, have an adverse influence on the situation in the whole Group. Until the day of publishing of the hereby report, the Company received notices concerning loss of insurance limits by particular suppliers to certain paper mills of Arctic Paper Group. At the moment, because of the lack of information regarding the scope of insurance protection that is used by our suppliers, it is not possible to estimate the range of adverse consequences and their influence on our results and liquidity. The Company keeps permanent contact with insurance institutions and communicates with them for the financial results achieved and liquidity of particular entities.

Risk of limitations on natural gas supplies

The only supplier of natural gas used by AP Kostrzyn to generate thermal and electric energy for paper production purposes is Polskie Górnictwo Naftowe i Gazownictwo S.A. (PGNiG). Therefore, the availability and prices of natural gas have a significant effect on the operations and costs of paper production at AP Kostrzyn. Any distortions in gas supplies to the paper mill at Kostrzyn nad Odrą may have an adverse effect on the Group’s production, operating results and financial standing.

Risk of loss of tax reliefs in connection with AP Kostrzyn operations

AP Kostrzyn enjoys a significant tax relief thanks to conducting its business activity within the Kostrzyńsko-Słubicka Special Economic Zone. The relief was granted until 2017 and depends on AP Kostrzyn’s compliance with the statutory provisions, regulations and other conditions for using a tax relief, including the compliance with certain criteria related to employment and investments. Changes of tax regulations in Poland are particularly frequent. Changes in regulations concerning that tax relief or any breach by AP Kostrzyn of the conditions of the permit based on which the relief has been granted may result in the loss of the relief and have a material adverse effect on the Group’s operating results and financial standing.

Risk connected with consolidation and liquidity of the key customers

Consolidation tendencies among our present and potential customers may result in the emergence of a more concentrated customer base consisting of several large customers. Those customers may take advantage of a more favorable negotiating position when negotiating conditions of paper purchase or make a decision regarding change of a supplier and buy products of our competitors. Moreover, in connection with the worsening situation in polygraphy industry, our customers such as paper distributors, printing houses or publishers may not reach insurance limits (credit sales) or have problems with financial liquidity, which can result in their bankruptcy and might have an adverse impact on our financial results. The above factors can have an adverse effect on the Group’s operating results and financial standing.

Risk connected with compliance with environmental regulations and adverse impact of the production process on the environment

The Group meets the environmental protection requirements, however, it is not certain that it will always perform its obligations and that in the future it will not incur significant costs or other material obligations in connection with those requirements or that it will be able to obtain all permits, approvals or other authorizations necessary for it to carry out its activities in the intended manner. Similarly, given that paper and pulp production involves potential threats related to waste discharged by paper and pulp mills or pollution with chemical substances, we cannot be certain that in the future the Group will not be held liable because of environmental pollution or that an event which will be a basis for holding the Group liable has not occurred yet. Thus, the Group may incur significant expenditures when having to remove pollution and reclaim land.

Risk connected with CO2 emission limits

Our paper and pulp mills get carbon dioxide emission allowances for a given period. Emission allowances are granted as part of the European Union Emission Trading Scheme. Starting from 2013, a new emission trading scheme is expected to be introduced. The nature of the new system has not been determined yet but if free of charge carbon dioxide allowances are eliminated and replaced with a system of buying emission allowances against payment, the energy generation costs incurred by us will increase accordingly. Furthermore, we may be forced to incur other costs, which are now hard to predict, in connection with emission allowances or changes in legal regulations and requirements resulting from that. For that reason we may be forced to reduce the volume of energy generated or to increase the costs of production, which may have an adverse effect on our business, financial standing, operating results or development prospects.

Risk connected with the Company's ability to pay dividend

The Issuer is a holding company, thus its ability to pay dividend depends on the level of distributions it receives from operational subsidiaries and the level of its cash balances. Some of the Group's subsidiaries conducting operating activity may in certain periods be subject to limitations concerning distributions to the Issuer. It is not certain that such limitations will not have a material adverse effect on the Group's activities, operating results and ability to pay dividend.

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 projections of financial results for 2013.

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

Statement of changes to the holdings of the Company's shares and rights thereto by managing and supervising personnel

Managing and supervising personnel		Number of shares or rights thereto as at 14/11/2013	Number of shares or rights thereto as at 30/08/2013	Change
Management Board				
Michał Piotr Jarczyński		N/A	N/A	-
Wolfgang Lübbert		-	-	-
Michał Jan Bartkowiak		N/A	N/A	-
Jacek Łoś		-	-	-
Per Skoglund		-	-	-
Supervisory Board	-			
Rolf Olof Grundberg		12 102	12 102	-
Rune Roger Ingvarsson		-	-	-
Thomas Onstad		-	-	-
Fredrik Lars Plyhr		N/A	N/A	-
Jan Ohlsson		N/A	N/A	-
Mariusz Grendowicz		-	-	-
Kjell Olsson		-	N/A	-
Dariusz Witkowski		-	N/A	-

Information on guarantees

As on 30th September 2013 the Group reported:

- a pledge on movables of Arctic Paper Munkedals AB resulting from a factoring contract with Svenska Handelsbanken AB amounting to SEK 160,000 thousand;
- a pledge on movables of Arctic Paper Grycksbo AB resulting from a factoring contract with Svenska Handelsbanken AB amounting to SEK 85,000 thousand;
- a pledge on real estates of Arctic Paper Grycksbo AB resulting from a factoring contract with Svenska Handelsbanken AB amounting to SEK 20,000 thousand
- a pledge on shares of Arctic Paper Grycksbo AB resulting from a factoring contract with Svenska Handelsbanken AB amounting to SEK 169,907 thousand;

- a pledge on shares of Arctic Paper Grycksbo AB resulting from an agreement with FPG in favor of mutual life insurance company PRI in the amount of SEK 50,000 thousand;
- a contingent liability on the grounds of a guarantee for FPG in favor of mutual life insurance company FRI in the amount of SEK 2,229 thousand;
- a contingent liability of Arctic Paper Munkedals AB on the grounds of a guarantee for Kalltorp Kraft HB liabilities in the amount of SEK 5,862 thousand;
- mortgages on Kalltorp Kraft HB real estates in the amount of SEK 8,650 thousand;
- a bank guarantee in favor of Skatteverket Ludvika in the amount of SEK 135 thousand;
- on 15th March 2012 AP S.A. granted a collateral in favor of Cartiere del Garda S.P.A - paper supplier to the Distribution Companies (Arctic Paper Sweden AB, Arctic Paper Denmark A/S, Arctic Paper Norge AS). The guarantee stands for EUR 1,000 thousand and is valid until 28th March 2014,
- guarantees granted by the companies of Rottneros Group in the total amount of SEK 3,000 thousand,
- a guarantee in favor of Södra Cell International AB, the supplier of pulp, in the total amount of SEK 12,000 thousand,
- a pledge on 39,900,000 Rottneros AB shares resulting from a loan agreement for the amount of EUR 4,000 thousand, concluded by and between Arctic Paper S.A. and Mr. Thomas Onstad.

Moreover, the following collateral securing the loan agreement (Arctic Paper Kostrzyn S.A. as the Borrower, Arctic Paper S.A. who acceded, by way of cumulative accession, to the Borrower's debt, as well as Arctic Paper Investment GmbH and Arctic Paper Mochenwangen GmbH as Guarantors, concluded a loan agreement with Bank Pekao S.A., Bank Zachodni WBK S.A. and BRE Bank S.A. as Lenders) dated 6th November 2012 was established:

- pledges on shares of Arctic Paper Kostrzyn S.A., shares of Arctic Paper Investment GmbH, Arctic Paper Mochenwangen GmbH and on shares of holding companies in Germany;
- pledges on bank accounts of all companies;
- mortgages on real estates of Arctic Paper Kostrzyn S.A.;
- land debt on real estates of Arctic Paper Mochenwangen GmbH;
- pledge on components of assets of Arctic Paper Kostrzyn S.A.;
- lien of property as security in Arctic Paper Mochenwangen GmbH;
- cession of rights under insurance policy;
- cession of receivables under loan agreements within the Group (Arctic Paper Kostrzyn S.A. and Arctic Paper Investment GmbH);
- submission to enforcement on the basis of art. 97 banking law (separate in favor of each bank) - Arctic Paper Kostrzyn S.A and Arctic Paper S.A.

Significant off-balance sheet items

Information regarding off-balance sheet items is given in the Consolidated Financial Statements.

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

During the period covered by this 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 unit 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 covered by this report, Arctic Paper S.A. and its subsidiaries did not execute any significant transactions with related entities on non-market terms and conditions.

Signatures of the Members of the Management Board

Position	Name and surname	Date	Signature
President of the Management Board Chief Executive Officer	Wolfgang Lübbert	14 November 2013	
Member of the Management Board Chief Operating Officer	Per Skoglund	14 November 2013	
Member of the Management Board Chief Procurement Officer	Jacek Łoś	14 November 2013	

Interim condensed quarterly consolidated financial statements for the nine months period ended 30th September 2013

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Consolidated financial statements and selected financial data

Selected consolidated financial data

	For the period from 01.01.2013 to 30.09.2013 PLN'000s	For the period from 01.01.2012 to 30.09.2012 PLN'000s	For the period from 01.01.2013 to 30.09.2013 EUR'000s	For the period from 01.01.2012 to 30.09.2012 EUR'000s
Revenues	2 370 007	2 009 584	564 103	477 438
Operating profit (loss)	(101 881)	41 562	(24 250)	9 874
Profit (loss) before tax	(125 018)	10 253	(29 756)	2 436
Profit (loss) from continuing operations	(113 223)	16 168	(26 949)	3 841
Profit (loss) for the period	(113 223)	16 168	(26 949)	3 841
Profit (loss) for the period attributable to equity holders of the parent	(102 695)	16 168	(24 443)	3 841
Net operating cash flow	(24 478)	71 500	(5 826)	16 987
Net investment cash flow	(76 521)	(35 231)	(18 213)	(8 370)
Net financial cash flow	16 744	(65 499)	3 985	(15 561)
Net change in cash and cash equivalents	(84 255)	(29 230)	(20 054)	(6 945)
Weighted average number of shares	68 776 295	55 403 500	68 776 295	55 403 500
Weighted average diluted number of shares	68 776 295	55 768 500	68 776 295	55 768 500
EPS (in PLN/EUR)	(1,49)	0,29	(0,36)	0,07
Diluted EPS (in PLN/EUR)	(1,49)	0,29	(0,36)	0,07
Average PLN/EUR rate*			4,2014	4,2091

	As at 30 September 2013 PLN'000s	As at 31 December 2012 PLN'000s	As at 30 September 2013 EUR'000s	As at 31 December 2012 EUR'000s
Assets	1 869 263	2 045 599	443 342	500 367
Long-term liabilities	228 221	428 848	54 128	104 899
Short-term liabilities	916 708	787 265	217 420	192 570
Equity	724 333	829 486	171 794	202 898
Share capital	69 288	55 404	16 433	13 552
Number of shares	69 287 783	66 144 483	69 287 783	66 144 483
Diluted number of shares	69 287 783	66 144 483	69 287 783	66 144 483
Book value per share (in PLN/EUR)	10,45	12,54	2,48	3,07
Diluted book value per share (in PLN/EUR)	10,45	12,54	2,48	3,07
Declared or paid dividend (in PLN/EUR)	-	9 972 630	-	2 439 369
Declared or paid dividend per share (in PLN/EUR)	-	0,18	-	0,04
PLN/EUR rate at the end of the period**	-	-	4,2163	4,0882

* - Items of the income statement and the cash flow statement are converted at the exchange rate, which is the arithmetic mean of average rates announced by the NBP during the period to which presented data relates.
** - Items of balance sheet and book value per share were converted at the average exchange rate announced by the NBP and prevailing at the balance sheet date.

Interim condensed consolidated financial statements for the nine months period ended 30th September 2013 PLN thousand

Consolidated income statement

	3 months period ended 30 September 2013 (unaudited)	9 months period ended 30 September 2013 (unaudited)	3 months period ended 30 September 2012 (unaudited)	9 months period ended 30 September 2012 (unaudited)
Continuing operations				
Sales of products	784 000	2 370 007	680 723	2 009 584
Revenues	784 000	2 370 008	680 723	2 009 583
Cost of sales	(704 091)	(2 208 042)	(575 946)	(1 691 686)
Gross profit (loss) on sales	79 910	161 966	104 777	317 897
Selling and distribution expenses	(74 166)	(227 759)	(79 134)	(231 421)
Administrative expenses	(16 130)	(56 399)	(17 726)	(53 890)
Other operating income	8 955	41 593	8 584	27 837
Other operating expenses	(5 614)	(21 282)	(5 999)	(18 862)
Operating profit / (loss)	(7 046)	(101 881)	10 501	41 561
Finance income	(1 856)	886	437	996
Finance costs	(7 181)	(24 023)	(12 079)	(32 305)
Profit / (loss) before tax	(16 082)	(125 018)	(1 140)	10 253
Income tax	791	11 795	(343)	5 915
Net profit (loss) for the period from continuing operations	(15 291)	(113 222)	(1 483)	16 168
Discontinued operations				
Profit (loss) for the period from discontinued operations	-	-	-	-
Net profit (loss) for the period	(15 291)	(113 222)	(1 483)	16 168
Attributable to:				
Equity holders of the parent	(12 191)	(102 695)	(1 483)	16 168
Non-controlling interest	(3 100)	(10 528)	-	-
	(12 191)	(113 223)	(1 483)	16 168
Earnings per share:				
– basic from the profit (loss) for the period attributable to equity holders of the parent	(0,18)	(1,49)	(0,03)	0,29
– basic from the profit (loss) from continuing operations attributable to equity holders of the parent	(0,18)	(1,49)	(0,03)	0,29
– diluted from the profit (loss) for the period attributable to equity holders of the parent	(0,18)	(1,49)	(0,03)	0,29
– diluted from the profit (loss) from the continuing operations attributable to equity holders of the parent	(0,18)	(1,49)	(0,03)	0,29

Additional explanatory notes to the interim condensed quarterly consolidated financial statements, included on pages from 55 to 83 are its integral part.

Interim condensed consolidated financial statements for the nine months period ended 30th September 2013 PLN thousand

Consolidated statement of comprehensive income

	3 months period ended 30 September 2013 (unaudited)	9 months period ended 30 September 2013 (unaudited)	3 months period ended 30 September 2012 (unaudited)	9 months period ended 30 September 2012 (unaudited)
Net profit / (loss) for the period	(15 291)	(113 223)	(1 483)	16 168
Items to recognise in profit/loss in future periods:				
Exchange difference on translation of foreign operations	(8 121)	9 996	2 297	(4 455)
Deffered tax on items recognised directly in equity	(2 804)	(1 059)	(620)	66
Valutation of derivatives	14 519	5 594	2 355	(435)
Items not to recognise in profit/loss in future periods:				
Actuarial gains/ losses	-	(334)	-	-
Other comprehensive income	3 594	14 198	4 033	(4 824)
Total comprehensive income	(11 697)	(99 025)	2 550	11 344
Total comprehensive income:				
Equity holders of the parent	(8 320)	(94 164)	2 550	11 344
Non-controlling interest	(3 377)	(4 861)	-	-

Interim condensed consolidated financial statements for the nine months period ended 30th September 2013 PLN thousand

Consolidated balance sheet

	As at 30 September 2013 (unaudited)	As at 30 June 2013 (unaudited)	As at 31 December 2012 (revised)	As at 30 September 2012 (unaudited)
ASSETS				
Non-current assets				
Property, plant and equipment	847 254	857 964	896 054	927 008
Investment properties	10 542	10 542	10 542	10 542
Intangible assets	61 885	62 400	93 926	108 557
Shares in joint ventures	5 168	5 247	5 056	-
Other financial assets	1 168	947	733	736
Other non-financial assets	1 276	1 300	1 238	2 096
Deferred tax asset	63 141	65 606	63 148	10 477
	990 433	1 004 005	1 070 697	1 059 416
Current assets				
Inventories	368 436	419 734	411 716	279 272
Trade and other receivables	355 744	360 870	329 888	317 781
Income tax receivables	16 822	16 463	12 268	11 346
Other non-financial assets	32 171	24 171	14 515	7 589
Other financial assets	1 773	94	3 805	1 025
Cash and cash equivalents	103 884	134 578	202 710	134 872
	878 830	955 910	974 902	751 885
TOTAL ASSETS	1 869 263	1 959 915	2 045 599	1 811 301
LIABILITIES				
Equity and liabilities				
Equity attributable to equity holders of the parent company				
Share capital	69 288	69 288	55 404	554 035
Share premium	652 659	652 659	580 875	82 244
Other reserves	141 654	132 199	189 688	121 486
Foreign currency translation	30 673	36 258	26 312	36 338
Retained earnings / Accumulated (unabsorbed) losses	(333 062)	(320 872)	(245 859)	(121 335)
Non-controlling interest	163 122	166 499	223 067	225
Total equity	724 334	736 030	829 486	672 993
Non-current liabilities				
Interest-bearing loans, borrowings and bonds	16 865	-	198 519	15 586
Provisions	91 201	94 534	94 339	88 912
Other financial liabilities	43 409	50 815	48 350	42 531
Deferred tax liabilities	46 722	46 355	55 569	143 943
Accruals and deferred income	30 023	30 707	32 072	32 755
	228 221	222 411	428 848	323 727
Current liabilities				
Interest-bearing loans, borrowings and bonds	380 529	400 429	197 986	342 546
Provisions	6 611	2 347	8 415	5 110
Other financial liabilities	71 101	89 219	51 541	51 943
Trade and other payables	333 941	375 748	412 785	354 253
Income tax payable	298	207	786	2 780
Accruals and deferred income	124 227	133 523	115 752	57 949
	916 708	1 001 474	787 265	814 582
TOTAL LIABILITIES	1 144 930	1 223 885	1 216 113	1 138 309
TOTAL EQUITY AND LIABILITIES	1 869 263	1 959 915	2 045 599	1 811 302

Additional explanatory notes to the interim condensed quarterly consolidated financial statements, included on pages from 55 to 83 are its integral part.

Interim condensed consolidated financial statements for the nine months period ended 30th September 2013 PLN thousand

Consolidated cash flow statement

	3 months period ended 30 September 2013 (unaudited)	9 months period ended 30 September 2013 (unaudited)	3 months period ended 30 September 2012 (unaudited)	9 months period ended 30 September 2012 (unaudited)
Cash flow from operating activities				
Profit (loss) before taxation	(16 082)	(125 018)	(1 140)	10 253
Adjustments for:				
Depreciation	30 595	94 495	31 344	92 056
Impairment of non-financial assets	0	66 650	-	-
Foreign exchange differences	7 669	2 031	(3 643)	(831)
Net interest and dividends	7 345	22 845	7 954	26 182
Gain/loss from investing activities	66	216	(185)	563
Increase / decrease in receivables and other non-financial assets	7 016	(14 820)	(23 021)	(26 996)
Increase / decrease in inventories	45 979	50 526	24 641	30 061
Increase / decrease in payables except for loans, borrowings and bonds	(40 775)	(100 855)	(15 188)	(43 273)
Change in accruals and prepayments	(16 625)	(13 802)	(16 133)	(12 991)
Change in provisions	1 460	(4 937)	(1 952)	(2 056)
Income tax paid	1 135	(7 366)	(3 908)	(8 911)
Derecognition of emission rigths to CO2 identified in a business combination	(643)	771	4 413	7 079
Cogeneration of certificates	1 011	4 672	5 835	240
Other	17	115	(2)	125
Net cash flow from operating activities	28 167	(24 478)	9 014	71 500
Cash flow from investing activities				
Proceeds from sale of property, plant and equipment and intangibles	3	43	60	380
Purchase of property, plant and equipment and intangible assets	(26 916)	(70 438)	(14 690)	(35 611)
Acquisition of non-controlling interest	-	(6 126)	-	-
Net cash flow from investing activities	(26 913)	(76 521)	(14 631)	(35 231)
Cash flow from financing activities				
Change in bank overdrafts	(8 087)	31 277	1 432	1 817
Repayment of finance lease liabilities	(692)	(5 054)	(1 913)	(6 097)
Proceeds from other financial liabilities	(10 851)	26 656	-	-
Repayment of other finance liabilities	(256)	(1 603)	18 643	(4 129)
Proceeds from loans, borrowings	16 865	16 865	-	-
Repayment of loans, borrowings and bonds	(8 776)	(26 360)	(4 938)	(16 953)
Payments to owners	-	-	(9 973)	(9 973)
Interest paid	(7 233)	(25 037)	(11 937)	(30 164)
Net cash flow from financing activities	(19 031)	16 744	(8 686)	(65 499)
Net increase/(decrease) in cash and cash equivalents	(17 776)	(84 255)	(14 301)	(29 230)
Net foreign exchange differences	(12 917)	(14 571)	2 696	(2 197)
Cash and cash equivalents at the beginning of the period	134 578	202 710	146 478	166 299
Cash and cash equivalents at the end of the period	103 884	103 884	134 872	134 872

Additional explanatory notes to the interim condensed quarterly consolidated financial statements, included on pages from 55 to 83 are its integral part.

Interim condensed consolidated financial statements for the nine months period ended 30th September 2013 PLN thousand

Consolidated statement of changes in equity

	Attributable to equity holders of the Company							
	Share capital	Share premium	Translation reserve	Other reserves	Retained earnings (losses)	Total	Non-controlling interest	Total equity
As at 1 January 2013 (revised)	55 404	580 875	26 312	189 688	(245 859)	606 419	223 067	829 486
Net profit (loss) for the period	-	-	-	-	(102 695)	(102 695)	(10 528)	(113 223)
Other comprehensive income	-	-	4 361	4 502	(332)	8 531	5 667	14 198
Total comprehensive income	-	-	4 361	4 502	(103 027)	(94 164)	(4 861)	(99 025)
Issue of shares	10 741	54 242	-	(64 983)	-	-	-	-
Acqusition of non-controlling interest	3 143	16 460	-	-	29 353	48 956	(55 084)	(6 128)
Profit distribution	-	1 082	-	12 447	(13 529)	-	-	-
As at 30 September 2013 (unaudited)	69 288	652 659	30 673	141 654	(333 062)	561 212	163 122	724 333

Interim condensed consolidated financial statements for the nine months period ended 30th September 2013 PLN thousand

	Attributable to equity holders of the Company							
	Share capital	Share premium	Translation reserve	Other reserves	Retained earnings (losses)	Total	Non-controlling interest	Total equity
As at 1 January 2012 (revised)	554 035	80 060	36 652	110 849	(110 198)	671 397	225	671 622
Net profit (loss) for the year	-	-	-	-	(102 354)	(102 354)	126 052	23 698
Other comprehensive income	-	-	(10 340)	(1 292)	(5 992)	(11 632)	-	(11 632)
Total comprehensive income	-	-	(10 340)	(1 292)	(108 346)	(113 985)	126 052	12 067
Issue of shares not registered at 31 December 2012	-	-	-	64 983	-	64 983	0	64 983
Decrease of nominal value of share	(498 632)	498 632	-	-	-	-		-
Profit distribution/ Dividend payment	-	2 184		15 148	(27 305)	(9 973)	-	(9 973)
Other	-	-	-	-	(10)	(10)	-	(10)
Acquisition of Rottneros AB (non-controlling interest)	-		-	-	-	-	96 790	96 790
As at 31 December 2012 (revised)	55 404	580 875	26 312	189 688	(245 859)	606 419	223 067	829 486

Interim condensed consolidated financial statements for the nine months period ended 30th September 2013 PLN thousand

	Attributable to equity holders of the Company							
	Share capital	Share premium	Translation reserve	Other reserves	Retained earnings (losses)	Total	Non-controlling interest	Total equity
As at 1 January 2012 (revised)	554 035	80 060	36 652	110 849	(110 198)	671 397	225	671 622
Net profit (loss) for the period	-	-	-	-	16 168	16 168	-	16 168
Other comprehensive income	-	-	(313)	(4 511)	-	(4 824)	-	(4 824)
Total comprehensive income	-	-	(313)	(4 511)	16 168	11 344	-	11 344
Profit distribution/ Dividend payment	-	2 184	-	15 148	(27 305)	(9 973)	-	(9 973)
As at 30 September 2012 (unaudited)	554 035	82 244	36 338	121 486	(121 335)	672 768	225	672 993

Additional explanatory notes to the interim condensed quarterly consolidated financial statements, included on pages from 55 to 83 are its integral part.

Standalone financial statements and selected financial data

Selected standalone financial data

	For the period from 01.01.2013 to 30.09.2013 PLN 000's	For the period from 01.01.2012 to 30.09.2012 PLN 000's	For the period from 01.01.2013 to 30.09.2013 EUR 000's	For the period from 01.01.2012 to 30.09.2012 EUR 000's
Revenues	112 861	93 426	26 863	22 196
Operating profit (loss)	(105 902)	46 365	(25 207)	11 015
Profit (loss) before tax	(105 826)	27 935	(25 188)	6 637
Profit (loss) from continuing operations	(105 826)	27 935	(25 188)	6 637
Profit (loss) for the period	(105 826)	27 935	(25 188)	6 637
Net operating cash flow	54 780	41 506	13 039	9 861
Net investment cash flow	(22 525)	(27 320)	(5 361)	(6 491)
Net financial cash flow	(58 559)	(27 846)	(13 938)	(6 616)
Net change in cash and cash equivalents	(26 303)	(13 659)	(6 261)	(3 245)
Weighted average number of shares	68 776 295	55 403 500	68 776 295	55 403 500
Weighted average diluted number of shares	68 776 295	55 768 500	68 776 295	55 768 500
EPS (in PLN/EUR)	(1,54)	0,50	(0,37)	0,12
Diluted EPS (in PLN/EUR)	(1,54)	0,50	(0,37)	0,12
Average PLN/EUR rate*			4,2014	4,2091

	As at 30 September 2013 PLN 000's	As at 31 December 2012 PLN 000's	As at 30 September 2013 EUR 000's	As at 31 December 2012 EUR 000's
Assets	955 577	1 113 516	226 639	272 373
Long-term liabilities	170 145	131 102	40 354	32 068
Short-term liabilities	21 643	132 216	5 133	32 341
Equity	763 789	850 198	181 151	207 964
Share capital	69 288	55 404	16 433	13 552
Number of shares	69 287 783	66 144 483	69 287 783	66 144 483
Diluted number of shares	69 287 783	66 144 483	69 287 783	66 144 483
Book value per share (in PLN/EUR)	11,02	12,85	2,61	3,14
Diluted book value per share (in PLN/EUR)	11,02	12,85	2,61	3,14
Declared or paid dividend (in PLN/EUR)	-	9 972 630	-	2 439 369
Declared or paid dividend per share (in PLN/EUR)	-	0,18	-	0,04
PLN/EUR rate at the end of the period**			4,2163	4,0882

* - Items of the income statement and the cash flow statement are converted at the exchange rate, which is the arithmetic mean of average rates announced by the NBP during the period to which presented data relates.
** - Items of balance sheet and book value per share were converted at the average exchange rate announced by the NBP and prevailing at the balance sheet date.

Interim condensed consolidated financial statements for the nine months period ended 30th September 2013 PLN thousand

Standalone income statement

	3 months period ended 30 September 2013 (unaudited)	9 months period ended 30 September 2013 (unaudited)	3 months period ended 30 September 2012 (unaudited)	9 months period ended 30 September 2012 (unaudited)
Continuing operations				
Sales of services	8 071	31 916	12 951	25 725
Interest income	5 222	5 790	6 896	19 849
Dividends	40	75 155	-	47 852
Revenues	13 333	112 861	19 847	93 426
Cost of interest to subsidiaries	(1 986)	(7 817)	-	-
Gross profit on sales	11 348	105 044	19 847	93 426
Other operating income	1	144	67	368
Selling and distribution costs	(710)	(2 171)	(685)	(685)
Administrative expenses	(5 222)	(21 752)	(7 272)	(20 125)
Other operating expenses	(856)	(187 167)	(51)	(26 619)
Operating profit / (loss)	4 561	(105 902)	11 906	46 365
Finance income	19	1 450	82	193
Finance costs	(558)	(1 374)	(6 789)	(18 622)
Profit / (loss) before tax	4 022	(105 826)	5 199	27 935
Income tax	-	-	-	-
Net profit (loss) for the period from continuing operations	4 022	(105 826)	5 199	27 935
Discontinued operations				
Profit (loss) for the period from discontinued operations	-	-	-	-
Net profit (loss) for the period	4 022	(105 826)	5 199	27 935
Earnings per share:				
– basic from the profit (loss) for the period	0,06	(1,54)	0,09	0,50
– basic from the profit (loss) from continuing operations for the period	0,06	(1,54)	0,09	0,50

Interim condensed consolidated financial statements for the nine months period ended 30th September 2013 PLN thousand

Standalone statement of comprehensive income

	3 months period ended 30 September 2012 (unaudited)	9 months period ended 30 September 2012 (unaudited)	3 months period ended 30 September 2011 (unaudited)	9 months period ended 30 September 2011 (unaudited)
Net profit (loss) for the period	4 022	(105 826)	5 199	27 935
Other comprehensive income				
Items to recognise in profit/loss in future periods:				
Exchange difference on translation of foreign operations	149	(188)	(83)	(74)
Total net other comprehensive income	149	(188)	(83)	(74)
Total comprehensive income for the period	4 171	(106 013)	5 116	27 861

Interim condensed consolidated financial statements for the nine months' period ended 30th September 2013 PLN thousand

Standalone balance sheet

	As at 30 September 2013 (unaudited)	As at 30 June 2013 (reviewed)	As at 31 December 2012 (audited)	As at 30 September 2012 (unaudited)
ASSETS				
Non-current assets				
Property, plant and equipment	291	317	316	331
Intangible assets	1 322	1 324	1 327	1 326
Investment in subsidiaries, associates and joint ventures	884 103	879 475	1 021 820	945 375
Other financial assets (non-current)	-	-	-	5 409
Other non-financial assets (non-current0	865	878	846	1 687
	886 581	881 994	1 024 309	954 128
Current assets				
Trade and other receivables	41 917	33 218	29 790	55 188
Income tax receivables	1 484	1 133	1 822	848
Other financial assets	20 609	20 915	26 476	32 269
Other non-financial assets	932	409	764	762
Cash and cash equivalents	4 053	7 142	30 356	10 101
	68 996	62 818	89 208	99 167
TOTAL ASSETS	955 577	944 812	1 113 516	1 053 295
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent company				
Share capital	69 288	69 288	55 404	554 035
Share premium	652 662	652 662	580 878	82 247
Other reserves	147 871	147 871	200 407	135 424
Foreign currency translation	(148)	(297)	40	(80)
Retained earnings / Accumulated (unabsorbed) losses	(105 884)	(109 906)	13 471	26 450
Total equity	763 789	759 618	850 198	798 076
Non-current liabilities				
Interest-bearing loans, borrowings and bonds	167 795	150 930	128 300	-
Provisions	845	858	827	1 865
Deferred tax liabilities	1	1	1	2
Accruals and deferred income	1 504	1 671	1 974	-
	170 145	153 460	131 102	1 867
Current liabilities				
Interest-bearing loans, borrowings and bonds	6 055	3 960	98 260	225 336
Trade payables	12 191	21 870	29 037	25 517
Other current liabilities	814	3 267	1 680	1 161
Accruals and deferred income	2 584	2 637	3 239	1 337
	21 643	31 734	132 216	253 352
TOTAL LIABILITIES	191 788	185 194	263 318	255 219
TOTAL EQUITY AND LIABILITIES	955 577	944 812	1 113 516	1 053 295

Interim condensed consolidated financial statements for the nine months' period ended 30th September 2013 PLN thousand

Standalone cash flow statement

	3 months period ended 30 September 2013 (unaudited)	9 months period ended 30 September 2013 (unaudited)	3 months period ended 30 September 2012 (unaudited)	9 months period ended 30 September 2012 (unaudited)
Cash flow from operating activities				
Profit (loss) before taxation	4 022	(105 826)	5 199	27 935
Adjustments for:				
Depreciation	24	78	29	83
Gain / (loss) from foreign exchange differences	150	(192)	(84)	(72)
Impairment of non-current assets	-	194 274	-	-
Net interest and dividends	331	1 332	4 667	13 750
Gain/loss from investing activities	2	2	-	-
Increase / decrease in receivables and other non-financial assets	(8 667)	(12 128)	(4 055)	(38 069)
Increase / decrease in payables except for loans, borrowings and bonds	(12 132)	(17 712)	22 987	21 161
Change in accruals and prepayments	(763)	(1 312)	475	(1 270)
Change in provisions	(13)	18	9	(27)
Income tax paid	(351)	338	(180)	(484)
Increase / decrease in loans to subsidiaries	(2 338)	(4 092)	(5 960)	18 497
Net cash flow from operating activities	(19 736)	54 780	23 087	41 506
Cash flow from investing activities				
Proceeds from sales of property, plant and equipment and intangibles	3	3	-	-
Purchase of property, plant and equipment and intangible assets	(5)	(51)	-	(38)
Acquisation of shares in subsidiary	-	(7 804)	-	-
Increse of shares in subsidiaries	-	(14 673)	(60)	(27 282)
Net cash flow from investing activities	(2)	(22 525)	(60)	(27 320)
Cash flow from financing activities				
Repayment of bonds	-	(71 900)	-	-
Proceeds from loans and borrowings	16 865	16 865	-	-
Dividends	-	-	(9 973)	(9 973)
Interest and dividends paid	(218)	(3 524)	(8 960)	(17 873)
Net cash flow from financing activities	16 647	(58 559)	(18 933)	(27 846)
Net increase/(decrease) in cash and cash equivalents	(3 090)	(26 303)	4 095	(13 659)
Cash and cash equivalents at the beginning of the period	7 142	30 356	6 006	23 760
Cash and cash equivalents at the end of the period	4 053	4 053	10 101	10 101

Interim condensed consolidated financial statements for the nine months' period ended 30th September 2013 PLN thousand

Standalone statement of changes in equity

	Share capital	Share premium	Translation reserve	Other reserves	Retained earnings (losses)	Total equity
As at 1 January 2012	55 404	580 878	40	200 407	13 471	850 198
Profit for the period	-	-	-	-	(105 826)	(105 826)
Other comprehensive income	-	-	(188)	-	-	(188)
Total comprehensive income	-	-	(188)	-	(105 826)	(106 013)
Profit distribution	-	1 082	-	12 447	(13 529)	-
Issue of shares	13 884	70 702	-	(64 983)	-	19 603
As at 30 September 2012 (unaudited)	69 288	652 662	(148)	147 871	(105 884)	763 789

Interim condensed consolidated financial statements for the nine months' period ended 30th September 2013 PLN thousand

	Share capital	Share premium	Translation reserve	Other reserves	Retained earnings (losses)	Total equity
As at 1 January 2011	554 035	80 062	(6)	120 276	25 820	780 188
Profit for the year	-	-	-	-	13 529	13 529
Other comprehensive income	-	-	46	-	-	46
Total comprehensive income	-	-	46	-	13 529	13 574
Issue of shares	-	-	-	64 983	-	64 983
Reallocation of equity	(498 632)	498 632	-	-	-	-
Profit distribution	-	2 184		15 148	(27 305)	(9 973)
Payments within the tax group	-	-	-	0	1 427	1 427
As at 31 December 2011 (audited)	55 404	580 878	40	200 407	13 471	850 198

	Share capital	Share premium	Translation reserve	Other reserves	Retained earnings (losses)	Total equity
As at 1 January 2011	554 035	80 062	(6)	120 276	25 820	780 188
Profit for the period	-	-	-	-	27 935	27 935
Other comprehensive income	-	-	(74)	-	-	(74)
Total comprehensive income	-	-	(74)	-	27 935	27 861
Payments within the tax group	-	2 184	-	15 148	(27 305)	(9 973)
As at 30 September 2011 (unaudited)	554 035	82 247	(80)	135 424	26 450	798 076

Additional explanatory notes

1. General information

Arctic Paper Group is the second largest, in terms of production volume, European producer of bulky book paper, offering the widest range of products in this segment and one of the leading producers of high-quality graphic paper in Europe. We produce many types of wood-free coated and uncoated paper, wood uncoated paper for printing houses, paper distributors, publishers of books and periodicals and advertising industry. At the day of publication of this report, Arctic Paper Group employs app. 1,800 people in four paper mills and fifteen companies involved in the distribution and sale of paper as well as in two pulp companies, a purchasing office and a company dealing in production of food packaging. Our paper mills are located in Poland, Sweden and Germany and have a combined capacity of more than 800,000 tons of paper annually. Our pulp mills are located in Sweden and have aggregated production capacities of 410,000 tons of pulp annually. The Group has three distribution companies engaged in sales, distribution and marketing of the products offered by the Group in Nordic countries and 12 Sales Offices to ensure access for all European markets, including Central and Eastern Europe.

Our consolidated sales revenues for nine months of 2013 amounted to PLN 2,730 million.

Arctic Paper SA is a holding company established 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 (current name Trebruk AB), the parent company of the Issuer. In addition, under the expansion, the Group acquired paper mill Arctic Paper Mochenwangen (Germany) in November 2008 and paper mill Grycksbo (Sweden) in March 2010. In 2012, Arctic Paper S.A. acquired shares in Rottneros AB, a company listed on NASDAQ OMX in Stockholm, Sweden, and owning two pulp companies (Sweden).

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

The quarterly interim condensed financial statements of the Group comprise income statement, comprehensive income statement, cash flow statement for the periods of three and nine months ended 30th September 2013 and includes comparative data for corresponding periods ended 30th September 2012, The quarterly interim condensed financial statements of the Group comprise statement of changes in equity statement for the period of nine months ended 30th September 2013 and includes comparative data for nine months' period ended 30th September 2012 as well as for twelve months' period ended 31st December 2012.

The quarterly interim condensed financial statements of the Group comprise also balance sheet as on 30th September 2013 and includes comparative data as on 30th June 2013, 31st December 2012 and 30th September 2012.

Business activities

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

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

Interim condensed consolidated financial statements for the nine months period ended 30th September 2013 PLN thousand

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

Shareholding structure

The main shareholder of Arctic Paper S.A. is Trebruk AB, a company under Swedish law, holding as on 30th September 2013 41,450,065 shares of the Company constituting 59.82% of share capital of the Company and corresponding to 59.82% of total votes in Shareholders Meeting. Thus Trebruk AB is the parent company of Arctic Paper S.A. Moreover, Nemus Holding AB, holder of 5,857,286 shares constituting 8.45% of the total number of shares is a parent company of Trebruk AB.

The ultimate parent of the Arctic Paper Group is Cassandrax Financial S.A.

The duration of the Company is unlimited.

2. Composition of the Group

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

Entity	Registered office	Business activities	Share in capital of subsidiaries entities as at 14 November 2013	30 September 2013	30 August 2013	31 December 2012
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	100%	100%	100%	100%
Arctic Paper Grycksbo AB	Sweden, Box 1, SE 790 20 Grycksbo	Paper production	100%	100%	100%	100%
Arctic Paper UK Limited	Great Britain, Quadrant House, 47 Croydon Road, Caterham, Surrey	Trading services	100%	100%	100%	100%
Arctic Paper Baltic States SIA	Latvia, K. Vardemara iela 33-20, Riga LV-1010	Trading services	100%	100%	100%	100%
Arctic Paper Deutschland GmbH	Germany, Raboisen 3, 20095 Hamburg	Trading services	100%	100%	100%	100%
Arctic Paper Benelux S.A.	Belgium,Ophemstraat 24 B-3050 Oud-Haverlee	Trading services	100%	100%	100%	100%
Arctic Paper Schweiz AG	Switzerland, Technoparkstrasse 1, 8005 Zurich	Trading services	100%	100%	100%	100%
Arctic Paper Italia srl	Italy, Milano – Via R. Boscovich 14	Trading services	100%	100%	100%	100%
Arctic Paper Ireland Limited	Ireland, 4 Rosemount Park Road, Dublin 11	Trading services	100%	100%	100%	100%
Arctic Paper Danmark A/S	Denmark, Jydekrogen 18, DK-2625 Vallensbaek	Trading services	100%	100%	100%	100%
Arctic Paper France SAS	France, 43 rue de la Breche aux Loups, 75012 Paris	Trading services	100%	100%	100%	100%

Interim condensed consolidated financial statements for the nine months period ended 30th September 2013 PLN thousand

Entity	Registered office	Business activities	Share in capital of subsidiaries entities as at			
			14 November 2013	30 September 2013	30 August 2013	31 December 2012
Arctic Paper Espana SL	Spain, Avenida Diagonal 472-474, 9-1 Barcelona	Trading services	100%	100%	100%	100%
Arctic Paper Papierhandels GmbH	Austria, Hainborgerstrasse 34A, A-1030 Wien	Trading services	100%	100%	100%	100%
Arctic Paper Polska Sp. z o.o.	Poland, Biskupia 39, 04-216 Warszawa	Trading services	100%	100%	100%	100%
Arctic Paper Norge AS	Norvay, Rosenholmsveien 25, NO-1414 Trollasen	Trading services	100%	100%	100%	100%
Arctic Paper Sverige AB	Szweden, Kurodsvagen 9, 451 55 Uddevalla	Trading services	100%	100%	100%	100%
Arctic Paper East Sp. z o.o.	Poland, Fabryczna 1, 66-470 Kostrzyn nad Odrą	Trading services	100%	100%	100%	100%
Arctic Paper Investment GmbH *	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Holding company	100%	100%	100%	100%
Arctic Energy Sverige AB (previous Arctic Paper Investment II AB)	Sweden, Box 383, 401 26 Göteborg	Hydro energy production	100%	100%	100%	100%
Arctic Paper Verwaltungs GmbH *	Germany, Fabrikstrasse 62, DE-882 84 Wolpertswende	Holding company	100%	100%	100%	100%
Arctic Paper Immobilienverwaltung GmbH&Co. KG*	Germany, Fabrikstrasse 62, DE-882 84 Wolpertswende	Holding company	94,90%	94,90%	94,90%	94,90%
Arctic Paper Investment AB **	Sweden, Box 383, 401 26 Göteborg	Holding company	100%	100%	100%	100%
Grycksbo Paper Holding AB	Sweden, Box 1, SE 790 20 Grycksbo	Holding company	100%	100%	100%	100%
EC Kostrzyn Sp. z o.o.	Poland, ul. Fabryczna 1, 66-470 Kostrzyn nad Odrą	Property and machinery rental	100%	100%	100%	100%
Arctic Paper Munkedals Kraft AB	Sweden, 455 81 Munkedal	Hydro energy production	100%	100%	100%	100%
Rottneros AB	Szwecja, 107 24 Sztokholm	Holding company	51,30%	54,20%	54,20%	39,66%
Rottneros Bruk AB	Sweden, Sunne	Pulp production	51,30%	54,20%	54,20%	39,66%
Utansjo Bruk AB	Sweden, Harnosand	Pulp production	51,30%	54,20%	54,20%	39,66%
Vallviks Bruk AB	Sweden, Vallvik	Pulp production	51,30%	54,20%	54,20%	39,66%
Rottneros Packaging AB	Sweden, Stockholm	Food packaging production	51,30%	54,20%	54,20%	39,66%
SIA Rottneros Baltic	Łotwa	Company for purchase of timber	51,30%	54,20%	54,20%	39,66%

* - formed for the purpose of acquisition of Arctic Paper Mochenwangen GmbH
** - formed for the purpose of acquisition of Grycksbo Paper Holding AB

As on 30th September 2013 and as well as on the day of publishing of this report, the percentage of voting rights held by the Group in subsidiaries corresponds 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 of losing control.

On 1st October 2012, Arctic Paper Munkedals AB purchased 50% of shares in Kalltorp Kraft Handelsbolaget seated in Trolhattan, Sweden. Kalltorp Kraft deals in energy production in the owned hydro-power plant. The purpose of the purchase was realization of the strategy of increasing own energy capacities. The shares in Kalltorp Kraft have been recognized as joint arrangement and evaluated in compliance with ownership rights.

On the 11^{th} of November 2013 Arctic Paper S.A. sold 4,495,456 shares in Rottneros AB, decreasing its share in the company by 2.9%, therefore Arctic Paper S.A. currently holds 51,3% share in the Rottneros Group.

3. Management and supervisory bodies

3.1. Management Board of the Parent Company

As on 30th September 2013, the following constituted the Parent Company's Management Board:

- Wolfgang Lübbert – President of the Management Board appointed on 5th June 2012;
- Jacek Łoś – Member of the Management Board appointed on 27th April 2011;
- Per Skoglund – Member of the Management Board appointed on 27th April 2011.

On 18th June 2013, Mr. Michał Jarczyński resigned from being the President of the Management Board effective on 15th July 2013 (current report 27/2013). On 18th June 2013, the Supervisory Board of the Company appointed Mr. Wolfgang Lübbert as the President of the Management Board of Arctic Paper S.A. (current report 27/2013)

On 26th July 2013, Mr. Michał Bartkowiak resigned from being a Member of the Management Board with immediate effect (current report 32/2013).

From 30th September 2013 until the date of publishing of the hereby half-yearly interim condensed consolidated financial statements, there were no other changes in composition of the Management Board of the Parent Company.

3.2. Supervisory Board of the Parent Company

As on 30th September 2013 the Company's Supervisory Board consisted of the following members:

- Rolf Olof Grundberg – President of the Supervisory Board appointed on 30th April 2008;
- Rune Roger Ingvarsson – Member of the Supervisory Board appointed on 22nd October 2008;
- Thomas Onstad – Member of the Supervisory Board appointed on 22nd October 2008;
- Mariusz Grendowicz - Member of the Supervisory Board appointed on 28th June 2012;
- Kjell Olsson - Member of the Supervisory Board appointed on 24th October 2013;
- Dariusz Witkowski - Member of the Supervisory Board appointed on 24th October 2013.

On 18th June 2013, Mr. Jan Ohlsson resigned from being a Member of the Supervisory Board (current report 28/2013).

On 26th July 2013, Mr. Fredrik Plyhr resigned from being a Member of the Supervisory Board (current report 33/2013

On 24th October 2013, an Extraordinary Shareholders Meeting appointed Mr. Kjell Olsson and Mr. Dariusz Witkowski as Members of the Supervisiory Board (current report 39/2013).

From 30th September 2013 until the date of publishing of the hereby interim condensed consolidated financial statements, there were no other changes in composition of the Supervisory Board of the Parent Company.

3.3. Audit Committee of the Parent Company

As on 30th September 2013 the Parent Company's Audit Committee consisted of the following members:

- Rolf Olof Grundberg – President of the Audit Committee appointed on 3rd December 2009;
- Rune Ingvarsson – Member of the Audit Committee appointed on 3rd December 2009;

In connection with resignation from being a Member of the Supervisory Board filed on 26th July 2013, Mr. Fredrik Plyhr ceased to be a Member of the Audit Committee of the Company.

4. Approval of the financial statements

The hereby interim quarterly condensed consolidated financial statements were approved for publishing by the Management Board on 14th November 2013.

5. Basis of preparation of consolidated financial statements

The hereby interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), in particular in accordance with IAS 34 and IFRS endorsed by the European Union.

At the date of authorization of these consolidated financial statements, in light of the current process of IFRS endorsement in the European Union and the nature of the Group's activities, there is no difference between the IFRS applied by the Group and the IFRS endorsed by the European Union. The Company did not exercise the possibility to, in case IFRS endorsed by the EU are applied, apply IFRS 10, IFRS 11, IFRS 12, amended IAS 27 and IAS 28 only for the yearly periods starting 1st January 2014. The above standards have been implemented into accounting policies of Arctic Paper Capital Group since 1st January 2012.

IFRS comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

The hereby interim condensed consolidated financial statements have been presented in Polish zloty ("PLN") and all values are rounded to the nearest thousand (PLN '000) except when otherwise indicated.

The hereby interim condensed consolidated financial statements have been prepared based on the assumption that the Company will continue as going concern in the foreseeable future.

As on 30th June 2013 and 30th September 2013, the Group did not keep the levels of selected financial ratios as defined in loan agreements concluded with the consortium of banks (Bank Pekao S.A., Bank Zachodni WBK S.A. and BRE Bank S.A.) and with Svenska Handelsbanken. The breach of financial ratios concerned net debt-to-EBITDA ratio for the whole Group as well as solidity ratio and interest coverage ratio for one of the paper mills. On 4th October 2013, the Issuer and its subsidiary, Arctic Paper Grycksbo AB, finalized the first stage of negotiations with banks which finance the Group entities. As a result, Svenska Handelsbanken AB set the payment term of Arctic Paper Grycksbo AB overdraft on 30th March 2014 and granted Arctic Paper Grycksbo AB a covenant waiver concerning solidity ratio and interest coverage ratio as set in the Loan Agreement until 30th March 2014.

Failure to keep the level of financial ratios defined in the loan agreement and leasing agreements, may give rise to breaches of the agreement and the loss of collateralized assets.

The key issue for the possibility of continuation of the Company's business activities is financial liquidity. The Management Board has prepared financial forecasts comprising the fourth quarter of 2013 and the following years, including forecasted cash flows, based on key assumptions related to sustaining external sources of financing in the form of the existing bank loans. There are key forecast risks connected with the adopted assumptions. Realization of these risks may cause substantial uncertainty regarding the possibility of the Company to continue its business activities. Therefore, the Management Board of the Company has initiated negotiations with banks aimed at receiving covenant waiver.

Until the day of publishing of the hereby report, the Group has not received covenant waiver from the consortium of banks but has not received any information confirming breach of the agreement, either. The Group has not received any notice for the dissolution of loan agreements or lease agreements. The Management Board expects to receive a proper covenant waiver until the end of the year.

To sum up, the key feature influencing the prosperity of the Management Board's proceedings is continuation of the currently existing loan agreements and lease agreements. Based on the financial forecasts prepared for the Group, which include assumption of continuation of the current sources of external financing, the Management Board has prepared the enclosed financial statements based on the assumption of business activities continuation.

The interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31st December 2012.

6. Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December 2012, except for application of changes in standards and new interpretations binding for yearly periods beginning on 1st January 2013.

The Group has adopted for the first time the standards and amendments to the standards, which resulted in changes of the previous financial statements. These standards are

- Amendments to IAS 19 Employee Benefits - effective for financial years beginning on or after 1st January 2013,

Amendments introduced to IAS 19 relate to: cancelling the corridor approach, introducing the requirement of immediate recognition of changes in assets/liabilities of the program and immediate recognition of costs of past employment, recognizing actuarial profits/losses in other comprehensive income and enhancing the scope of disclosures.

The amendments introduce also changes in division of employee benefits for short-term and long-term.

The Group has retrospectively applied the amendments to IAS 19 Employee Benefits.

In compliance with IAS 34, in note 6.2 of the hereby report, the Group has disclosed the scope and influence of introduced amendments to IAS 19 on comparative data.

In the same time, the Group has updated accounting policy regarding employee benefits.

Employee benefits

In compliance with the internal remuneration systems, the employees of the Group are entitled to jubilee bonuses and retirement gratuities. Jubilee bonuses are paid once the employee has worked the defined number of years. Retirement gratuities are one-time payments on retirement. The levels of jubilee bonuses and retirement gratuities depend on seniority and the average salary of the employee. The Group creates a provision for future liabilities on the grounds of retirement gratuities and jubilee bonuses for the purpose of matching costs with period they concern. In compliance with IAS 19, jubilee bonuses are other long-term employee benefits, while retirement gratuities are programs of certain benefits after employment. Current value of these liabilities as on each balance day, which is also the end of financial year, is calculated by an independent actuary. The calculated liabilities are equal to discounted payments, which will be performed in future, taking into consideration the employment rotation, and relate to the period until balance day. Demographic information and employment rotation information are based on historical data. Profit and loss on actuarial calculation related to benefits after employment are recognized in other comprehensive income.

Moreover, the Group has adopted for the first time, starting from 1st January 2013, other new standards/amendments to existing standards, which has not influenced the current interim condensed financial statements nor the comparative data.

New standards/amendments to existing standards, introduced from 1st January 2013, are as following:

- Amendments to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income* - effective for financial years beginning on or after 1st July 2012,

The amendments concern grouping positions of other comprehensive income. The positions of other comprehensive income subjected to future reclassification to profit or loss are presented in separation from the positions that are not going to be reclassified to profit or loss.

The Group has retrospectively amended presentation of other comprehensive income in the Group's financial statements. The adoption of these changes did not influence the financial situation or the value of the Company's comprehensive income.

- Amendments to IAS 12 *Income Tax: Deferred Tax: Recovery of Underlying Assets* – effective for financial years beginning on or after 1st January 2012 – in EU effective at the latest for financial years beginning on or after 1st January 2013,

The adoption of these changes did not influence the financial situation, the Company's financial results nor the scope of information presented in the Company's financial statements.

- Amendments to IFRS 1 First–time Adoption of International Financial Reporting Standards: *Severe Hyperinflation and Removal of Fixed Dates for First–time Adopters* – effective for financial years beginning on or after 1st July 2011 – in EU effective at the latest for financial years beginning on or after 1st January 2013,

Amendments to IFRS 1 did not concern the Group.

- IFRS 13 *Fair Value Measurement* - effective for financial years beginning on or after 1st January 2013,

IFRS 13 introduces one set of principles regarding fair value assessment of financial and non-financial assets and liabilities in case such assessment is required or allowed by IFRS. IFRS 13 does not influence the company's duty to perform assessment at fair value. Regulation of IFRS 13 is applicable both to initial valuation and the evaluation after initial recognition.

It requires new disclosures as for the means of assessment and the initial information/data for the assessment of fair value as well as the influence of certain initial information on fair value assessment.

The adoption of IFRS 13 did not influence the financial situation, the Group's financial results nor the scope of information presented in the Group's financial statements.

- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* - effective for financial years beginning on or after 1st January 2013,

The interpretation does not concern the Group.

- Amendments to IFRS 7 *Financial Instruments – Disclosures: Offsetting Financial Assets and Financial Liabilities* - effective for financial years beginning on or after 1st January 2013,

The amendments introduce additional disclosure of quantity and quality related to transfers of financial assets, if:

- financial assets are fully removed from balance sheet but the entity keeps involvement in these assets (for example, by options or guarantees concerning transferred assets),
- financial assets are not fully removed from balance sheet.

The adoption of these changes did not influence the financial situation or the Group's financial results.

- Amendments to IFRS 1 *First–time Adoption of International Financial Reporting Standards: Government Loans* – effective for financial years beginning on or after 1st July 2013,

Amendments to IFRS 1 did not concern the Group.

- Improvements to IFRS (issued in May 2012) – effective for financial years beginning on or after 1st January 2013,

IAS 1 – The amendment explains the difference between the voluntarily presented additional comparative data and the required minimum of comparative data,

IAS 16 – The amendment explains that main service parts and service equipment which fulfills the criteria of property, plant & equipment definition are not inventories,

IAS 32 – The amendment removes the hitherto existing requirements concerning recognition of tax from IAS 32 and requests for application of IAS 12 in relation to income tax resulting from distribution to owners of financial instruments.

IAS 34 – The amendment explains the requirements of IAS 34 concerning information regarding total value of assets and liabilities of each reporting segment for the purpose of enhancing cohesion with requirements of IFRS 8 Operating segments. Pursuant to the amendment, the total value of assets and liabilities of the particular operating segment has to be disclosed only if: the values are being regularly reported to the main operating decision-maker of the entity and a material change occurred of the total value of assets and liabilities disclosed in the previous annual financial statements for this segment.

The adoption of these changes did not influence the financial situation, the Group's financial results nor the scope of information presented in the Group's financial statements.

Moreover, as described in the annual consolidated financial statements for 2012 (note 7), the Group decided to early (starting on 1st January 2012) adopt, in compliance with transition guidance, the following standards:

- IFRS 10 Consolidated financial statements applicable to annual periods beginning on or after 1st January 2013 – in EU applicable to annual periods beginning no later than 1st January 2014 or later,

Pursuant to IFRS 10 the Group applies the amended definition of control over entity, consisting in the ability or the ownership of rights to influence the returns on the involvement in the entity and the possibilities of exercising these rights to influence the return on the involvement. The adoption of IFRS 10 did not cause any changes in comparative data.

- IFRS 11 Joint arrangements – applicable to annual periods beginning on or after 1st January 2013 – in EU applicable to annual periods beginning no later than 1st January 2014 or later.

Pursuant to IFRS 11, the shares in joint arrangements are evaluated at ownership rights.

The adoption of IFRS 11 did not cause any changes in comparative data.

- IFRS 12 Disclosure of Interests in Other Entities – effective for financial years beginning on or after 1st January 2013 – in EU effective at the latest for financial years beginning on or after 1st January 2014.

Pursuant to IFRS 12, the Group set out, based on professional judgment and estimation, the conditions based on which it recognized its control over the entities belonging to the Capital Group. As for the entities that had been consolidated before, no premises were found that would indicate the possibility of different recognition of subsidiaries compared to the one that had been applied. At the same time, the Group does not own entities, which would have not been consolidated, therefore does not disclose such information.

The adoption of IFRS 12 did not cause any changes in comparative data.

- IAS 27 Separate Financial Statements – effective for financial years beginning on or after 1st January 2013 – in EU effective at the latest for financial years beginning on or after 1st January 2014,

Pursuant to IAS 27, the Group has changed the application of standard for standalone and consolidated financial statements. The application of the standard did not cause the necessity to change the data presented by the entities within the Group.
The adoption of IAS 27 did not cause any changes in comparative data.

- IAS 28 Investments in Associates and Joint Ventures – effective for financial years beginning on or after 1st January 2013 – in EU effective at the latest for financial years beginning on or after 1st January 2014,

Pursuant to IAS 28, the Group applied it for the joint arrangements described in the latter part of the report.
The adoption of IAS 28 did not cause any changes in comparative data.

- Changes to IFRS 10, IFRS 11 and IFRS 12 Transition Guidance - effective for financial years beginning on or after 1st January 2013.

Pursuant to transition guidance, the Group applied jointly IFRS 10, IFRS 11, IFRS 12, IAS 27 *Separate Financial Statements* and IAS 28 (updated in 2011).
The adoption of transition guidance did not cause any changes in comparative data.

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

6.1. Uncertainty of estimations

As on 30th June 2013, in connection with the conducted verification of forecasted cash flows for the production unit Arctic Paper Grycksbo, an impairment test was performed of property, plant and equipment as well as intangibles.

A detailed description of the impairment test has been included in note 13 to the hereby financial statements.

6.2. Foreign currency translation

Transactions denominated in currencies other than functional currency of the entity are translated into functional 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 functional currency of the entity are translated into functional currency using the average foreign exchange rate prevailing for the given currency at the end of the reporting period. Exchange differences resulting from translation are recorded under financial income or financial costs or under capitalized cost of assets, based on defined examples in accounting policy. Non-monetary foreign currency assets and liabilities recognized at historical cost are translated at the historical foreign exchange rate prevailing on the transaction date. Non-monetary foreign currency assets and liabilities recognized at fair value are translated into Polish zloty using the rate of exchange binding as on the date of re-measurement to fair value.

The functional currencies of the foreign subsidiaries are EUR, SEK, LVL, DKK, NOK, GBP and CHF. As on the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Group (Polish zloty) using the rate of exchange prevailing on the balance sheet date and their income statements are translated using the average weighted exchange rate for the given reporting period. The exchange differences arising from the translation are taken directly to equity and recognized in a separate line. On disposal of a foreign operation, the cumulative amount of the deferred exchange differences recognized in equity and relating to that particular foreign operation shall be recognized in the income statement.

Interim condensed consolidated financial statements for the nine months period ended 30th September 2013 PLN thousand

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

The following exchange rates were used for valuation purposes:

	As at 30 September 2013	As at 31 December 2012
USD	3,1227	3,0996
EUR	4,2163	4,0882
SEK	0,4862	0,4757
LVL	6,0001	5,8595
DKK	0,5653	0,5480
NOK	0,5190	0,5552
GBP	5,0452	5,0119
CHF	3,4500	3,3868

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

	01/01 - 30/09/2013	01/01 - 30/09/2012
USD	3,1901	3,2864
EUR	4,2014	4,2091
SEK	0,4897	0,4820
LVL	5,9931	6,0337
DKK	0,5634	0,5659
NOK	0,5486	0,5602
GBP	4,9307	5,1820
CHF	3,4117	3,4948

6.3. Data comparability

Because from 1st January 2013 amendments to IAS 19 Employee benefits have taken effect with the necessity for retrospective recognition, the Group introduced changes to the hereby interim condensed financial statements for the period ended 30th September 2013 and performed the change of comparative data as on 31st December 2012 and 30th September 2012. Amendments introduced to IAS 19 relate to: cancelling the corridor approach, introducing the requirement of immediate recognition of changes in assets/liabilities of the program and immediate recognition of costs of past employment, recognizing actuarial profits/losses in other comprehensive income and enhancing the scope of disclosures.

The comparative data include the following changes compared to financial statements approved for the year ended 31st December 2012 and financial statements for nine months period ended 30th September 2012:

- increase of long-term provisions by the amount of PLN 10,478 thousand (as on 30th September 2012: PLN 3,984 thousand),

- increase of deferred tax asset and decrease of deferred tax liability, respectively in the amounts of PLN 2,190 thousand and PLN 567 thousand (as on 30th September 2012 respectively PLN 79 thousand and PLN 974 thousand);
- increase of trade liabilities and other liabilities by the amount of PLN 1,924 thousand (as on 30th September 2012: PLN 1,008 thousand);
- decrease of retained profit/loss as on 31st December 2012 by the amount of PLN 9,645 thousand, whereas increase of net profit for the year ended 31st December 2012 by PLN 286 thousand (decrease of own cost by PLN 298 thousand and increase of income tax by PLN 12 thousand) and decrease of other comprehensive income for the year ended 31st December 2012 by the amount of PLN 5,992 thousand and decrease of retained profit/loss as on 1st January 2012 and 30th September 2012 by the amount of PLN 3,939 thousand.

Since 1st January 2013, the Group changed presentation of basic materials sales. Basic materials sales income was presented as “Income from sales of products” (previously ‘Other operating income”) and own cost of basic materials sales was presented as “Own cost of sales” (previously “Other operating cost”). Because of that, the Group changed presentation in consolidated income statement for the nine months period ended 30th September 2012 transferring the amount of PLN 23,989 thousand from “Other operating income” to “Income from sales of products” and the amount of PLN 21,991 thousand from “Other operating cots” to “Own cost of sales: The changes in consolidated income statement for the three months’ period ended 30th September 2012 amounted to PLN 7,903 thousand transferred from “Other operating income” to Income from sales of products” and PLN 7,361 thousand transferred from “Other operating cost” to “Own cost of sales”.

7. Seasonality

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

8. Information on business segments

The principal business of the Group is paper production, which is conducted in four paper mills belonging to the Group.

The Group identifies four business segments:

- **Uncoated paper** – paper for printing or other graphic purposes, including wood-free and wood-containing. Uncoated wood-free paper can be produced from various types of pulp, with different filler content, and can undergo various finishing enhancing 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 papers. Uncoated paper from mechanical pulp intended for printing or other graphic purposes. This type of paper is used for printing magazines with the use of rotogravure or offset printing techniques. The Group’s products in this segment are usually used for printing paperbacks.
- **Coated paper** - wood-free paper for printing or other graphic purposes, one-side or two-side coated with mixtures containing mineral pigments, such as china clay, calcium carbonate, etc. The coating process can involve different methods, both online and offline, and can be supplemented by super-calandering to ensure a smooth surface. Coating improves the printing quality of photographs and illustrations.
- **Other** – this segment contains results of Arctic Paper S.A. activities.

The division of business segments to uncoated and coated paper is caused by the following circumstances:

- Demand for products and its supply, as well as the products prices sold on the market are shaped by factors characteristic for each segment, including i.e. level of the production capacity in each segment,
- Key operational factors such as e.g. orders inflow or production costs level are determined by factors which are close to each other within each paper segment,
- Products produced in the Group's paper mills can be, with some exceptions, allocated to production in different subsidiaries within the same paper segment, which to some extent disturbs the financial results of each paper mill,
- Arctic Paper Group results are dominated by global market trends in terms of fluctuations of prices of paper and basic raw materials, particularly pulp, and depend on individual conditions of production subsidiaries to lesser extent.

Because of the acquisition of Rottneros Group dealing mainly in production and sales of pulp, Arctic Paper Group separated as on 30th September 2013 a new segment 'Pulp'.

- Pulp - fully bleached sulphate pulp and unbleached sulphate pulp which is used mainly for production of printing and writing papers, cardboard, toilet paper and white packaging paper, as well as chemithermomechanical pulp and groundwood which are used mainly for production of printing and writing papers.

The results of particular segments of business activity are monthly analyzed by the Group's key management personnel based on internal reporting provided by the companies. Performance is measured based on the EBITDA level. Transfer prices in transactions between segments are set on an arm's length basis as if it concerned non related parties.

In the table below presented is the data concerning revenues and profits as well as some of the assets and liabilities. The data is divided to particular segments of the Group and refers to nine months period ended 30th September 2013 and represents the situation as on 30th September 2013.

Nine months period ended 30th September 2013 and as on 30th September 2013

	Continuing Operations						
	Uncoated	Coated	Pulp	Other	Total	Eliminations	Total Group
Revenues							
Sales to external customers	1 344 696	514 785	510 526	-	2 370 007	-	2 370 007
Inter-segment sales	117 693	121 216	40 964	31 916	311 788	(311 788)	-
Total segment revenues	1 462 389	636 001	551 489	31 916	2 681 796	(311 788)	2 370 007
Segment's Result							
EBITDA	49 863	(8 220)	8 990	9 030	59 662	(399)	59 263
Interest Income	9 771	101	0	16 536	26 408	(25 527)	881
Interest Costs	(19 190)	(18 916)	(1 959)	(9 148)	(49 214)	27 444	(21 770)
Depreciation	(38 354)	(27 065)	(28 999)	(78)	(94 495)	-	(94 495)
Impairments of non-current assets	-	(66 650)	-	-	(66 650)	-	(66 650)
Positive FX and other financial income	464	-	-	75 613	76 077	(76 072)	5
Negative FX and other financial costs	(1 862)	(806)	-	(42)	(2 710)	458	(2 252)
Profit before tax	691	(121 556)	(21 968)	91 910	(50 922)	(74 096)	(125 018)
Segment assets	1 227 046	412 930	445 762	437 375	2 523 113	(722 158)	1 800 955
Segment liabilities	894 113	636 803	145 374	191 786	1 868 076	(769 868)	1 098 207
Capital expenditures	55 151	5 932	9 305	51	70 438	-	70 438

- Revenues from inter-segment transactions are excluded on consolidation.
- Segment result does not include financial income (PLN 886 thousand of which PLN 881 thousand is interest income) and financial costs (PLN 24,023 thousand of which PLN 21,770 thousand is interest costs), amortization and depreciation (PLN 94,495 thousand), the impairment of non-financial assets (PLN 66,650 thousand) as well as income tax liability (PLN +11,795 thousand). However, segment result includes inter-segment sales profit (PLN 399 thousand).
- Segment assets and liabilities do not include deferred tax asset and liability (deferred tax asset of PLN 63,141 thousand, deferred tax liability of PLN 46,722 thousand) as these positions are managed in the Group level. Segment assets do not also include investments in companies from within the Group.

In the table below presented is the data concerning revenues and profits as well as some of the assets and liabilities. The data is divided to particular segments of the Group and refers to three months period ended 30th September 2013 and represents the situation as on 30th September 2013.

Three months period ended 30th September 2013 and as on 30th September 2013

	Continuing Operations						
	Uncoated	Coated	Pulp	Other	Total	Eliminations	Total Group
Revenues							
Sales to external customers	440 479	172 715	170 807	-	784 000	-	784 000
Inter-segment sales	37 932	41 215	10 110	8 071	97 329	(97 329)	-
Total segment revenues	478 410	213 930	180 918	8 071	881 329	(97 329)	784 000
Segment's Result							
EBITDA	12 756	3 041	5 364	2 099	23 259	290	23 549
Interest Income	1 316	19	0	5 240	6 576	(6 410)	166
Interest Costs	(6 264)	(6 077)	(490)	(2 314)	(15 144)	8 354	(6 790)
Depreciation	(12 990)	(7 753)	(9 828)	(24)	(30 595)	-	(30 595)
Impairments of non-current assets	-	-	-	-	-	-	-
Positive FX and other financial income	(1 099)	-	(490)	207	(1 382)	(640)	(2 022)
Negative FX and other financial costs	192	(736)	-	(13)	(557)	167	(390)
Profit before tax	(6 088)	(11 506)	(5 444)	5 195	(17 843)	1 761	(16 082)
Segment assets	1 227 046	412 930	445 762	437 375	2 523 113	(722 158)	1 800 955
Segment liabilities	894 113	636 803	145 374	191 786	1 868 076	(769 868)	1 098 207
Capital expenditures	19 906	639	6 366	5	26 916	-	26 916

- Revenues from inter-segment transactions are excluded on consolidation.
- Segment result does not include financial income (PLN -1,856 thousand of which PL 166 thousand is interest income) and financial costs (PLN 7,181 thousand of which PLN 6,790 thousand is interest costs), amortization depreciation (PLN 30,595 thousand), as well as income tax liability (PLN +791 thousand). However, segment result includes inter-segment sales loss (PLN 290 thousand).
- Segment assets and liabilities do not include deferred tax asset and liability (deferred tax asset of PLN 63,141 thousand, deferred tax liability of PLN 46,722 thousand) as these positions are managed in the Group level. Segment assets do not also include investments in companies from within the Group.

In the table below presented is the data concerning revenues and profits as well as some of the assets and liabilities. The data is divided to particular segments of the Group and refers to nine months period ended 30th September 2012 and represents the situation as on 31st December 2012.

Nine months period ended 30th September 2012 and as on 31st December 2012

	Continuing Operations					
	Uncoated	Coated	Other	Total	Eliminations	Total Group
Revenues						
Sales to external customers	1 444 542	565 042	-	2 009 584	-	2 009 584
Inter-segment sales	122 851	128 111	25 725	276 687	(276 687)	-
Total segment revenues	1 567 393	693 152	25 725	2 286 270	(276 687)	2 009 584
Segment's Result						
EBITDA	107 792	20 605	5 012	133 408	210	133 618
Interest Income	2 620	78	20 812	23 510	(22 584)	926
Interest Costs	(26 090)	(8 712)	(14 890)	(49 692)	22 535	(27 156)
Depreciation - without impairment	(47 278)	(44 695)	(83)	(92 056)	-	(92 056)
Positive FX and other financial income	672	1 747	47 852	50 270	(50 200)	71
Negative FX and other financial costs	(3 420)	(114)	(3 733)	(7 267)	2 118	(5 149)
Profit before tax	34 295	(31 091)	54 970	58 174	(47 921)	10 253
Segment assets	1 290 613	512 574	899 340	2 702 528	(725 133)	1 977 395
Segment liabilities	901 208	619 241	407 931	1 928 381	(767 836)	1 160 545
Capital expenditures	31 277	4 296	38	35 611	-	35 611

- Revenues from inter-segment transactions are excluded on consolidation.
- Segment result does not include financial income (PLN 996 thousand of which 926 PLN is interest income) and financial costs (PLN 32,305 thousand of which PLN 27,156 thousand is interest costs), amortization and depreciation (PLN 92,056 thousand), as well as income tax liability (PLN +5,915 thousand). However, segment result includes inter-segment sales loss (PLN 210 thousand).
- Segment assets and liabilities do not include deferred tax asset and liability (deferred tax asset of PLN 63,148 thousand, deferred tax liability of PLN 55,569 thousand) as these positions are managed in the Group level. Segment assets do not also include investments in companies from within the Group

In the table below presented is the data concerning revenues and profits as well as some of the assets and liabilities. The data is divided to particular segments of the Group and refers to three months period ended 30th September 2012 and represents the situation as on 31st December 2012.

Three months period ended 30th June 2012 and as on 31st December 2012

	Continuing Operations					
	Uncoated	Coated	Other	Total	Eliminations	Total Group
Revenues						
Sales to external customers	486 714	194 010	-	680 723	-	680 723
Inter-segment sales	39 308	36 540	12 951	88 799	(88 799)	-
Total segment revenues	526 022	230 550	12 951	769 522	-88 799	680 723
Segment's Result						
EBITDA	40 859	-780	5 039	45 118	-3 272	41 846
Interest Income	940	18	6 978	7 936	(7 503)	433
Interest Costs	(17 419)	6 574	(5 046)	(15 891)	7 443	(8 448)
Depreciation	(16 235)	(15 080)	(29)	(31 344)	-	(31 344)
Positive FX and other financial income	541	1 648	0	2 189	(2 185)	4
Negative FX and other financial costs	(3 767)	(132)	(1 744)	(5 644)	2 013	(3 631)
Profit before tax	4 918	(7 751)	5 198	2 365	(3 505)	(1 140)
Segment assets	1 290 613	512 574	899 340	2 702 528	(725 133)	1 977 395
Segment liabilities	901 208	619 241	407 931	1 928 381	(767 836)	1 160 545
Capital expenditures	12 838	1 852	-	14 690	-	14 690

- Revenues from inter-segment transactions are excluded on consolidation.
- Segment result does not include financial income (PLN 437 thousand of which 433 PLN is interest income) and financial costs (PLN 12,079 thousand of which PLN 8,448 thousand is interest costs), amortization and depreciation (PLN 31,344 thousand), as well as income tax liability (PLN -343 thousand). However, segment result includes inter-segment sales profit (PLN 3,272 thousand).
- Segment assets and liabilities do not include deferred tax asset and liability (deferred tax asset of PLN 63,148 thousand, deferred tax liability of PLN 55,569 thousand) as these positions are managed in the Group level. Segment assets do not also include investments in companies from within the Group.

9. Dividend paid and proposed

Dividend is paid based on the net profit presented in the standalone annual financial statements of Arctic Paper SA after covering losses carried forward from the previous years.
In accordance with provisions of the Code of Commercial Companies, the parent company is obliged to establish a supplementary capital to finance possible losses. At least 8% of the profit for the financial year shown in standalone financial statements of parent company should be transferred to this category of capital until this capital has reached the amount of at least one third of the share capital of the parent company.

The use of the supplementary and reserve capital is determined by the Shareholders Meeting; however the part of the supplementary capital equal to one third of the share capital can be used only to finance the losses shown in the standalone financial statements of the parent company and cannot be distributed to other purposes.

As on the date of this report, the Company had no preferred shares.

The possibility of payment of potential dividend by the Company to shareholders depends on the level of payments received from subsidiaries. Risks associated with the Company's ability to pay dividends have been described in the part "Risk factors" of this report.

On 28th June 2013, Ordinary Shareholders Meeting adopted resolution no 6 regarding distribution of profit for financial year 2012 in which a part of profit for financial year 2012 in the amount of PLN 1,082 thousand was assigned, in compliance with Commercial Companies Code, to reserve capital, while in the amount of PLN 12,447 thousand to reserve capital, with the possibility of future use of this amount for dividend payment or other legally permissible purpose.

The Shareholders Meeting did not decide for dividend payment.

10. Earnings per share

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

Information regarding net profit and number of shares, which was the base for calculation of earnings per share and diluted earnings per share are presented below:

	3 months period ended 30 September 2013 (unaudited)	9 months period ended 30 September 2013 (unaudited)	3 months period ended 30 September 2012 (unaudited)	9 months period ended 30 September 2012 (unaudited)
Net profit (loss) for the period from continuing operations attributable to equity holders of the parent	(12 191)	(102 695)	(1 483)	16 168
Profit (loss) for the period from discontinued operations attributable to equity holders of the parent	-	-	-	-
Net profit (loss) for the period from continuing operations	(12 191)	(102 695)	(1 483)	16 168
Number of share - serie A	50 000	50 000	50 000	50 000
Number of share - serie B	44 253 500	44 253 500	44 253 500	44 253 500
Number of share - serie C	8 100 000	8 100 000	8 100 000	8 100 000
Number of share - serie E	3 000 000	3 000 000	3 000 000	3 000 000
Number of share - serie F	13 884 283	13 884 283	-	-
Total number of shares (in thousand)	69 287 783	69 287 783	55 403 500	55 403 500
Weighted average number of shares	69 287 783	68 776 295	55 403 500	55 403 500
Weighted average diluted number of shares	69 287 783	68 776 295	55 768 500	55 768 500
Profit per share (in PLN)	(0,18)	(1,49)	(0,03)	0,29
Diluted profit/(loss) per share (in PLN)	(0,18)	(1,49)	(0,03)	0,29

11. Interest-bearing loans, borrowings and bonds

As on 30th September 2013 the amount of current and non-current interest bearing loans, borrowing and bonds increased by PLN 889 thousand compared to 31st December 2012.

In nine months of 2013, the Group performed an exchange of current financing by bonds in BRE Bank for extension of non-current indebtedness in consortium of three banks in the amount of PLN 71,900 thousand together with interest and a partial repayment of this debt in the amount of PLN 26,360 thousand (tranches in PLN and EUR). On the other hand, the Group performed an increase of overdraft indebtedness in the consortium of three banks and in Svenska Handelsbanken as well as in Danske Bank, and received EUR 4,000 thousand as a loan from the major Arctic Paper S.A. shareholder.

Other changes in value of loans and borrowings as on 30th September 2013 compared to 31st December 2012 result mostly from balance sheet evaluation and from the amount of calculated interest on loans, borrowings and bonds which interest has not been paid yet.

As on 30th June 2013 and 30th of September 2013, the Group did not keep the levels of selected financial ratios as defined in loan agreements concluded with the consortium of banks (Bank Pekao S.A., Bank Zachodni WBK S.A. and BRE Bank S.A.) and with Svenska Handelsbanken. The breach of financial ratios concerned net debt-to-EBITDA ratio for the whole Group as well as solidity ratio and interest coverage ratio for one of the paper mills. On 4th October 2013, the Issuer and its subsidiary, Arctic Paper Grycksbo AB, finalized the first stage of negotiations with banks which finance the Group entities. As a result, Svenska Handelsbanken AB set the payment term of Arctic Paper Grycksbo AB overdraft on 30th March 2014 and granted Arctic Paper Grycksbo AB a covenant waiver concerning solidity ratio and interest coverage ratio as set in the Loan Agreement until 30th March 2014.

Failure to keep the level of financial ratios defined in the loan agreement and leasing agreements, may give rise to breaches of the agreement and the loss of collateralized assets. The key issue for the possibility of continuation of the Company's business activities is financial liquidity. The Management Board has prepared financial forecasts comprising the fourth quarter of 2013 and the following years, including forecasted cash flows, based on key assumptions related to sustaining external sources of financing in the form of the existing bank loans. There are key forecasts risks connected with the adopted assumptions. Realization of these risks may cause substantial uncertainty regarding the possibility of the Company to continue its business activities. Therefore, the Management Board of the Company has initiated negotiations with banks aimed at receiving covenant waiver.

Until the day of publishing of the hereby report, the Group has not received covenant waiver from the consortium of banks but has not received any information confirming breach of the agreement, either. The Group has not received any notice for the dissolution of loan agreements or lease agreements. The Management Board expects to receive a proper covenant waiver until the end of the year.

On 5th November 2013, Arctic Paper Kostrzyn S.A. concluded Annex 1 to the loan agreement dated 6th November 2012 ("Loan Agreement) concluded with the consortium of banks: Bank Pekao S.A., Bank Zachodni WBK S.A. and BRE Bank S.A., under which the parties prolonged the payment term of the short-term portion of the loan in the amount of PLN 59,000 thousand ("Loan B") until 6th December 2013. Loan Agreement has been described in details in note 32.2 of the annual consolidated financial statements for 2012. The Company also reported about the Loan Agreement in current report no 19/2012.

Interim condensed consolidated financial statements for the nine months period ended 30th September 2013 PLN thousand

12. Equity securities

	As at 30 September 2013 (unaudited)	As at 31 December 2012 (audited)
'A' class ordinary shares of PLN 1 each	50	50
'B' class ordinary shares of PLN 1 each	44 254	44 254
'C' class ordinary shares of PLN 1 each	8 100	8 100
'E' class ordinary shares of PLN 1 each	3 000	3 000
'F' class ordinary shares of PLN 1 each	13 884	-
	69 288	55 404

	Date of registration of capital increase	Volume	Value in PLN
Ordinary shares issued and fully covered			
Issued on 30 April 2008	2008-05-28	50 000	50 000
Issued on 12 September 2008	2008-09-12	44 253 468	44 253 468
Issued on 20 April 2009	2009-06-01	32	32
Issued on 30 July 2009	2009-11-12	8 100 000	8 100 000
Issued on 01 March 2010	2010-03-17	3 000 000	3 000 000
Issued on 20 December 2012	2013-01-09	10 740 983	10 740 983
Issued on 10 January 2013	2013-01-29	283 947	283 947
Issued on 11 February 2013	2013-03-18	2 133 100	2 133 100
Issued on 6 March 2013	2013-03-22	726 253	726 253
As at 30 September 2013 (unaudited)		69 287 783	69 287 783

13. Impairment of non-financial assets

As on 30th June 2013 an impairment test was performed in Arctic Paper Grycksbo of property, plant & equipment as well as intangibles.

Performance of the test in Arctic Paper Grycksbo was related to achievement of lower results of the mill than it was expected by the Management Board of the Group and which was influenced by market conditions such as increase of raw materials prices, bigger competition in the segment of papers produced by Arctic Paper Grycksbo.

Because of the above, a decision was made to perform an impairment test with use of discounted cash flows. The method of the test was described in details in annual consolidated financial statements, note 25.2. The impairment test resulted in an allowance in the amount of PLN 66,650 thousand as on 30th June 2013. The amount of the allowance as on 30th September 2013 has not changed.

The table below presents the main assumptions applied for evaluation of use value:

Interim condensed consolidated financial statements for the nine months period ended 30th September 2013 PLN thousand

General assumption	30.06.2013	31.12.2012
Prognosis based on year	2H 2013-2017	2013-2017
Income tax rate	22,00%	22,00%
Pre-tax discount rate	7,80%	7,80%
Weighted average cost of capital	7,40%	7,40%
Growth in residual period	2,00%	2,00%

The table below presents the allowance as on 30th June 2013.

	Balance vaue as at 30.06.2013	Vaule in used by 30.06.2013
Tangible assets, therein:	242 916	205 217
- land	8 647	8 647
- buildings	74 521	49 152
- machinery and equipment	153 231	140 902
- assets under construction	6 516	6 516
Intangible assets with undetermined useful life	25 582	8 231
Intangible assets with determined useful life	19 206	7 606
Working capital	8 059	8 059
Cash and equivalents	17 817	17 817
Total value	313 579	246 930
Impairment recognized in 2013		66 650

The allowance in the amount of PLN 66,650 thousand was included in consolidated income statement as on 30th June 2013 and as on 30th September 2013 in the position of own cost of sales. The Company did not have the obligation and did not perform an update of impairment tests as on 30th September 2013. A performance of the next tests has been scheduled to 31th December 2013.

14. Acquisition and disposal of non-controlling shares

Between 1st January 2013 and 26th February 2013, Arctic Paper S.A. performed further acquisition of Rottneros AB shares under calling to hitherto shareholders of Rottneros AB shares in order to exchange Rottneros AB shares for Arctic Paper S.A. shares or for cash equivalent (detailed description of the principles of the calling can be found in consolidated financial statements for the period ended 31st December 2012, note 31.2). In 2013, Arctic Paper S.A. purchased 22,221,849 Rottneros AB shares and increased the number of shares in possession to 82,726,339 and increased its share in Rottneros AB share capital from 39.66% as on 31st December 2012 to 54.20% as on 26th February 2013 and until the day of approving of these financial statements. The purchase price of the share acquired in 2013 amounted to PLN 25,731 thousand while the value of minority interests acquired amounted to PLN 55,084 thousand. The result if this transaction of PLN 29,353 thousand increased

"Retained/earnings/losses carried forward" in Arctic Paper Group equity.

On the 11th of November 2013 Arctic Paper S.A. sold 4,495,456 shares in Rottneros AB, decreasing its share in the company by 2.9%, therefore Arctic Paper S.A. currently holds 51,3% share in the Rottneros Group.

15. Financial instruments

The Company has the following financial instruments: cash at hand and in bank accounts, bank credits, receivables, liabilities of financial leases, SWAP interest contract, forward foreign exchange contract, forward contract for the purchase of electricity, forward contract for the sales of pulp.

15.1. Hedge accounting

In order to reduce the volatility of the projected cash flows related to foreign exchange risk Group companies use currency hedging based on the use of derivatives related to foreign exchange market. They include, in particular, forward contracts, contracts for electricity purchases, and SWAP interest contracts

As on 30th September 2013, the Group used cash flow hedge accounting for the following hedging relations:

- Arctic Paper Kostrzyn S.A. designated for cash flow hedge accounting the FX forward derivatives in order to hedge part of currency inflows in EUR connected with export sales and purchase of USD as well as SWAP forward derivative in order to hedge repayments of interest in EUR on the bank loan in EUR and to hedge repayments of interest in PLN on the bank loan in PLN.
- Arctic Paper Munkedals AB, Arctic Paper Grycksbo AB and the companies of Rottneros Group designated for cash flow hedge accounting the forward derivatives in order to hedge the future purchases of electricity.
- The Companies of Rottneros Group designated for cash flow hedge accounting the FX forward derivatives in order to hedge a part of currency expenditures in EUR related to future purchases of electricity.
- The Companies of Rottneros Group designated for cash flow hedge accounting the forward derivatives in order to hedge a part of currency intakes in USD related to export sales.
- The Companies of Rottneros Group designated for cash flow hedge accounting the forward derivatives in order to hedge a part of currency intakes in EUR related to export sales.

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 USD:

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Hedge type	Hedging the cash flow variations related to the planned sales in foreign currencies
Hedge item	Hedged item is part of the future highly probably cash flows resulting from export sales
Hedging instruments	Hedging instruments are FX forward transactions in which the Company commits to sell EUR for USD
Forward contract parameters	
Trade date	14.01.2013
Delivery date	depending on the contract, since 28.10.2013 till 27.12.2013
Hedged amount	4.5 mln EUR
Forward ratio	from 1,3320 to 1,3325

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

Hedge type	Hedging the cash flow variations related to the planned purchases of electricity in foreign currencies
Hedge item	Hedged item is part of the future highly probably cash flows resulting from purchases of electricity denominated in EURO
Hedging instruments	Hedging instruments are FX forward transactions in which the Company commits to purchase EUR for SEK
Forward contract parameters	
Trade date	2012 and 2013
Delivery date	depending on the contract, untill 31.12.2016
Hedged amount	11.0 mln EUR
Forward ratio	9.17 SEK/EUR

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

Hedge type	Hedging the cash flow variations related to the planned sales in foreign currencies
Hedge item	Hedged item is part of the future highly probably cash flows resulting from export sales
Hedging instruments	Hedging instruments are FX forward transactions in which the Company commits to sell USD for SEK
Forward contract parameters	
Trade date	2012 and 2013
Delivery date	depending on the contract, untill 31.12.2013
Hedged amount	9.0 mln USD
Forward ratio	6.72 SEK/USD

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

Hedge type	Hedging the cash flow variations related to the planned sales in foreign currencies
Hedge item	Hedged item is part of the future highly probably cash flows resulting from export sales
Hedging instruments	Hedging instruments are FX forward transactions in which the Company commits to sale EUR for SEK
Forward contract parameters	
Trade date	2012 and 2013
Delivery date	depending on the contract, untill 31.12.2016
Hedged amount	1.0 mln EUR
Forward ratio	8.84 SEK/EUR

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

Hedge type	Hedging the cash flow variations related to the planned sales in foreign currencies
Hedge item	Hedged item is part of the future highly probably cash flows resulting from export sales
Hedging instruments	Hedging instruments are FX forward transactions in which the Company commits to sell EUR for PLN
Forward contract parameters	
Trade date	from 29.05.2013 to 28.06.2013
Delivery date	depending on the contract, since 28.10.2013 till 27.06.2014
Hedged amount	12.0 mln EUR
Forward ratio	from 4,2575 to 4,4150

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

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

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Hedge type	Hedging the cash flow variations related to electricity purchases
Hedge item	Hedged item is part of the future highly probably cash flows resulting from electricity purchases
Hedging instruments	Hedging instruments are forward transactions for electricity purchases on the Nord Pool Stock Exchange
Forward contract parameters	
Trade date	depending on the contract, since 01.05.2009
Delivery date	depending on the contract, untill 31.12.2017
Hedged amount	709.000 MWh
Forward price	from 32.20 to 48.80 EUR/MWh

Cash flow volatility hedge accounting related to changeable interest rate of a 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 repayment of interest in EUR on the loan in EUR:

Hedge type	Hedging the cash flow variations related to flexible rate interest on bank loan denominated in EURO
Hedge item	Hedged item is future cash flows resulting from interest (in EURO) based on 3M EURIBOR on bank loan denominated in EURO
Hedging instruments	Hedging instruments are SWAP transaction for fixed rate interest in EURO on bank loan denominated in EURO
Forward contract parameters	
Trade date	28.12.2012 and 04.03.2013
Delivery date	depending on interest payment date based on schedule in bank loan agreement, untill 7.11.2017
Hedged amount	interest in accordance with bank loan agreement on bank loan of 10.8 mln EURO
SWAP interest rate	0,69% and 0,78%

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

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Hedge type	Hedging the cash flow variations related to flexible rate interest on bank loan denominated in PLN
Hedge item	Hedged item is future cash flows resulting from interest (in PLN) based on 3M WIBOR on bank loan denominated in PLN
Hedging instruments	Hedging instruments are SWAP transaction for fixed rate interest in PLN on bank loan denominated in PLN
Forward contract parameters	
Trade date	07.03.2013
Delivery date	depending on interest payment date based on schedule in bank loan agreement, untill 7.11.2017
Hedged amount	interest in accordance with bank loan agreement on bank loan of 38.8 mln PLN
SWAP interest rate	3,71%

The table below presents fair value of hedging instruments in cash flow hedge accounting as on 30th September 2013 and the comparative data:

	As at 30 September 2013 (unaudited)		As at 31 December 2012 (audited)	
	Assets	Liabilities	Assets	Liabilities
FX forward	1 773	-	-	2 854
Pulp forward	-	-	3 805	-
SWAP	-	410	-	141
Electricity forward	-	13 680	-	17 924
Total hedging derivatives	1 773	14 090	3 805	20 919

16. Financial risk management objectives and policies

The Group's principal financial instruments comprise bank loans, financial leases and hire purchase contracts, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for Group operations.

The Group also uses factoring with regression for trade receivables. The main purpose for using this financial instrument is to quickly raise finance.

The Group has various other financial instruments such as trade receivables and liabilities, which arise directly from operations, as well as short-term deposits. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Management Board reviews and agrees policies for managing each of these risks.

In the opinion of the Management Board – in comparison to the Annual Consolidated Financial Statements for the period ended 31st December 2012 there have been no significant changes of the financial risk. There have been also no changes in the objectives and policies of the management of this risk.

17. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

In the Management Board's opinion – in comparison to the annual consolidated financial statements for the year ended 31st December 2012 there were no significant changes in the objectives and policies of capital management.

18. Contingent liabilities and contingent assets

As on 30th September 2013 the Group reported:

- a pledge on movables of Arctic Paper Munkedals AB resulting from a factoring contract with Svenska Handelsbanken AB amounting to SEK 160,000 thousand;
- a pledge on movables of Arctic Paper Grycksbo AB resulting from a factoring contract with Svenska Handelsbanken AB amounting to SEK 85,000 thousand;
- a pledge on real estates of Arctic Paper Grycksbo AB resulting from a factoring contract with Svenska Handelsbanken AB amounting to SEK 20,000 thousand
- a pledge on shares of Arctic Paper Grycksbo AB resulting from a factoring contract with Svenska Handelsbanken AB amounting to SEK 169,907 thousand;
- a pledge on shares of Arctic Paper Grycksbo AB resulting from an agreement with FPG in favor of mutual life insurance company PRI in the amount of SEK 50,000 thousand;
- a contingent liability on the grounds of a guarantee for FPG in favor of mutual life insurance company FRI in the amount of SEK 2,229 thousand;
- a contingent liability of Arctic Paper Munkedals AB on the grounds of a guarantee for Kalltorp Kraft HB liabilities in the amount of SEK 5,862 thousand;
- mortgages on Kalltorp Kraft HB real estates in the amount of SEK 8,650 thousand;
- a bank guarantee in favor of Skatteverket Ludvika in the amount of SEK 135 thousand;
- on 15th March 2012 AP S.A. granted a collateral in favor of Cartiere del Garda S.P.A - paper supplier to the Distribution Companies (Arctic Paper Sweden AB, Arctic Paper Denmark A/S, Arctic Paper Norge AS). The guarantee stands for EUR 1,000 thousand and is valid until 28th March 2014,
- guarantees granted by the companies of Rottneros Group in the total amount of SEK 3,000 thousand,
- a guarantee in favor of Södra Cell International AB, the supplier of pulp, in the total amount of SEK 12,000 thousand,
- a pledge on 39,900,000 Rottneros AB shares resulting from a loan agreement for the amount of EUR 4,000 thousand, concluded by and between Arctic Paper S.A. and Mr. Thomas Onstad.

Moreover, the following collateral securing the loan agreement (Arctic Paper Kostrzyn S.A. as the Borrower, Arctic Paper S.A. who acceded, by way of cumulative accession, to the Borrower's debt, as well as Arctic Paper Investment GmbH and Arctic Paper Mochenwangen GmbH as Guarantors, concluded a loan agreement with Bank Pekao S.A., Bank Zachodni WBK S.A. and BRE Bank S.A. as Lenders) dated 6th November 2012 was established:

- pledges on shares of Arctic Paper Kostrzyn S.A., shares of Arctic Paper Investment GmbH, Arctic Paper Mochenwangen GmbH and on shares of holding companies in Germany;
- pledges on bank accounts of all companies;
- mortgages on real estates of Arctic Paper Kostrzyn S.A.;
- land debt on real estates of Arctic Paper Mochenwangen GmbH;
- pledge on components of assets of Arctic Paper Kostrzyn S.A.;
- lien of property as security in Arctic Paper Mochenwangen GmbH;

- cession of rights under insurance policy;
- cession of receivables under loan agreements within the Group (Arctic Paper Kostrzyn S.A. and Arctic Paper Investment GmbH);
- submission to enforcement on the basis of art. 97 banking law (separate in favor of each bank) - Arctic Paper Kostrzyn S.A and Arctic Paper S.A.

19. Legal claims

Case against Cezex Sp. z o.o.

The lawsuit against CEZEX Spółka z o.o. for payment of PLN 11,240 thousand (main debt) was filed on 08th October 2009. The District Court did not give a verdict. On 21st December 2009 bankruptcy of the company was announced with a possibility of settlement. On 23 March the District Court in Szczecin made a decision in favor of Arctic Paper S.A. for the full amount of the debt.

The law suit against CEZEX Spółka z o.o. for payment of PLN 174 thousand (main debt) was filed on 27th November 2009. On 04th February 2010 the District Court gave a verdict in absentia. On 21st December 2009 bankruptcy of the company was announced with a possibility of settlement. In May 2011 the settlement was not concluded and liquidation insolvency was announced. The whole debt of APK S.A. is listed in debtor's list. Pursuant of the decision of Board of Debtors the Bankruptcy Trustee is authorized to conduct business activity until 31st October 2011. On 21st December 2011 the Regional Court cancelled the statement of the District Court regarding change of the bankruptcy option to liquidation. On 07th February 2012 the Regional Court announced liquidation bankruptcy as filed by Arctic Paper Kostrzyn S.A. The complaint of the bankrupt has been examined by District Court; the decision regarding bankruptcy is legally binding. The bankruptcy is in progress. As on 4th September 2013 a new date of tender for sales of the bankrupt's enterprise CEZEX as a whole. The previous tender dated 10th April 2013 did not come into effect as there were no offerors. The tender on 4th September 2013 also did not come into effect as there were no offers.

Case against Jakon S.A. in liquidation

On 7th February 2011 bankruptcy of the company was announced with liquidation of the property. The debt in the amount of PLN 2,000 thousand is guaranteed by mortgage on guarantor's real estate. There was a warrant of payment issued by the court. The guarantor filed a complaint; the next court hearing was scheduled to 19th January 2012. On 29th February the District Court denied the claim of Arctic Paper Kostrzyn S.A. There was a complaint file on time. The Court of Appeal cancelled the decision of primary court and requested it to investigate the case. The District Court has not set the hearing date yet.

Case against Skolwin Paper International Sp. z o.o.

The law suit against Skolwin Paper International spółka z o.o. for total payment of PLN 1,539 thousand, a warrant of payment was issued on 04th January 2008. On 10th January 2008 the District Court in Szczecin announced bankruptcy with liquidation of the property, it was published in Monitor Sądowy i Gospodarczy no 17/2008 item 1063. For the time being, it is difficult to judge whether the company will receive funds and in what amount from the bankruptcy estate. The debt was submitted. The liquidation is in process, the final term is not known because of the complex legal status of the bankruptcy estate. It cannot be determined now when the case is going to be closed. On 22nd July 2011 the Company received a portion of debt from partial distribution plan for the amount of PLN 47 thousand. The bankruptcy is in progress.

As on 30th September 2013 as well as on the day of approving of the hereby financial statements, the companies of the Group are not parties to any other legal case concerning amount of PLN 1 million.

20. CO2 emission rights

Arctic Paper Kostrzyn S.A., Arctic Paper Munkedals AB, Arctic Paper Mochenwangen GmbH, Arctic Paper Grycksbo AB and the companies of Rottneros Group are all part of the European Union Emission Trading Scheme. The current trading period lasts from 1st January 2008 to 31st December 2012. Until the date of publishing of the hereby report, the allocation for 2013 for all mills has not been known.

21. Government grants and operations in Special Economic Zone

21.1. Government grants

In the current quarter the Group companies have not received any subsidies. Subsidies already obtained by the Group and conditions of their use have been described in annual consolidated financial statements for 2012 (note 45.1).

21.2. Operations in Special Economic Zone

Arctic Paper Kostrzyn S.A. operates in the Kostrzyńsko-Słubicka Specjalna Special Economic Zone (the „KSSSE") and based on the permission issued by the Kostrzyńsko – Słubicka Special Economic Zone S.A. benefits from the 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 Arctic Paper Kostrzyn S.A. loses its tax relief if at least one of the following occurs:

- Arctic Paper Kostrzyn S.A. ceases to conduct business operations in the KSSSE for which it obtained the permission,
- it violates the conditions of the permission, or
- it does not remove errors/ irregularities identified during the course of control within the period of time specified in the order issued by appropriate minister for economic affairs,
- it transfers, in any form, the ownership right to assets to which the investment tax relief related within the period shorter than 5 years of introducing those assets to the fixed assets register,
- if the machines and equipment is transferred to conduct business activities outside the SEZ,
- if Arctic Paper Kostrzyn S.A. receive compensation, in any form, of the investment expenditure incurred,
- if Arctic Paper Kostrzyn S.A. goes into liquidation or if it petitioned for bankruptcy.

Based on the permit issued on 25th August 2006, Arctic Paper Kostrzyn S.A. may benefit from exemption to 15th November 2017. The pre-requisite condition for this tax relief is that appropriate investment expenditure is made in the Special Economic Zone within the meaning of § 6 of the Decree of the Council of Minister dated 14th September 2004 concerning Kostrzyńsko – Słubicka Special Economic Zone, being the basis for the calculation of public assistance in accordance with § 3 Decree with a value exceeding EUR 40,000,000 to 31st December 2013 calculated using the average EUR announced by the President of the National Bank of Poland as prevailing on the date the expenditure is made. Creation in the territory of the KSSSE of at least 5 new workplaces within the meaning of § 3 paragraph 3 and paragraph 6 of the Decree by 31st December 2011 and maintaining the employment level at 453 people during the period from 1st January 2012 to 31st December 2013.

The conditions of the exemption have not changed in the reporting period. The Group was not a subject to any inspection by the authorized authorities.

During the period from 25th August 2006 to 30th September 2013, Arctic Paper Kostrzyn S.A. incurred investment expenditure classified as expenditure of the SEZ in the amount of PLN 197,864 thousand. During this period, the discounted amount of public assistance used was PLN 44,775 thousand.

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If the qualified investment expenditures incurred are not covered by income of the current year, Arctic Paper Kostrzyn S.A. creates a deferred tax asset on the excess.

The amount of deferred tax asset on the expenditures incurred in SEZ as on 30th September 2013 stood at PLN 21,633 thousand.

22. Significant events after balance sheet date

On 5th November 2013, Arctic Paper Kostrzyn S.A. concluded Annex 1 to the loan agreement dated 6th November 2012 ("Loan Agreement) concluded with the consortium of banks: Bank Polska Kasa Opieki S.A., Bank Zachodni WBK S.A. and BRE Bank S.A., under which the parties prolonged the payment term of the short-term portion of the loan in the amount of PLN 59,000 thousand ("Loan B") until 6th December 2013. Loan Agreement has been described in details in note 32.2 of the annual consolidated financial statements for 2012. The Company also reported about the Loan Agreement in current report no 19/2012

From 30th September 2013 until the day of publishing of the hereby report, no other material events occurred which would have to be disclosed in the hereby report except for those occurrences which have been disclosed earlier in the hereby report.

Signatures of Members of the Management Board

Position	Name and surname	Date	Signature
President of the Management Board Chief Executive Officer	Wolfgang Lübbert	14 November 2013	
Member of the Management Board Chief Operating Officer	Per Skoglund	14 November 2013	
Member of the Management Board Chief Procurement Officer	Jacek Łoś	14 November 2013	

Headquarters

Arctic Paper S.A.

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

Branch in Sweden:

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

Investor relations:
ir@arcticpaper.com

Photos: fotolia.com, Arctic Paper archive