Offer to the shareholders of Rottneros AB

nordfirst

ARCTIC PAPER

Important information

General

Arctic Paper S.A., registration number (KRS No) 0000306944, has made a public takeover offer for all shares in Rottneros AB, registration number 556013-5872, on the terms and conditions set out in this offer document (the "Offer" and the "Offer Document"). In the Offer Document, "Arctic Paper" or the "Company" refers to, depending on the context, Arctic Paper S.A. or the group in which Arctic Paper S.A. is the parent company. In the Offer Document, "Rottneros" refers to, depending on the context, Rottneros AB or the group in which Rottneros AB is the parent company.

This document has been prepared in relation to the Offer and the admission to trading of Arctic Paper's shares on NASDAQ OMX Stockholm ("NASDAQ OMX").

NASDAQ OMX's Rules Regarding Takeover Offers (1 July 2012) (the "Takeover Rules"), the Swedish Securities Council's statements regarding interpretation and application of the Takeover Rules and, where applicable, the Swedish Securities Council's former rulings regarding interpretation and application of the Swedish Industry and Commerce Stock Exchange Committee's rules on public offers, are applicable on the Offer.

Arctic Paper has, pursuant to the Swedish Act on Public Takeovers on the Stock Market (Sw: lag (2006:451) om offentliga uppköpserbjudanden på aktiemarknaden) undertaken towards NASDAQ OMX to comply with the Takeover Rules and the Swedish Securities Council's rules regarding interpretation and application of the Takeover Rules, and to submit to any sanctions that NASDAQ OMX may decide upon in the event of an infringement of the Takeover Rules. Arctic Paper informed the Swedish Financial Supervisory Authority (Sw: Finansinspektionen) (the "SFSA") about the commitment to NASDAQ OMX on 7 November 2012.

The Offer as well as any agreements concluded between Arctic Paper and the shareholders in Rottneros under the Offer will be governed by and interpreted in accordance with Swedish law. Any dispute relating to, or arising in connection with, the Offer or the Offer Document shall be settled exclusively by Swedish courts, with the Stockholm District Court as the court of first instance.

The Offer Document has been approved and registered by the SFSA in accordance with the regulations in Chapter 2 of the Swedish Act on Public Takeovers on the Stock Market and Chapter 2a of the Swedish Financial Instruments Trading Act (Sw: lagen (1991:980) om handel med finansiella instrument). This registration does not constitute any guarantee from the SFSA that the information in the Offer Document is correct or complete.

The Offer Document has been published in a Swedish and an English version. In the case of any discrepancy between the language versions, the Swedish language version shall prevail.

The information in the Offer Document shall be considered as correct, although not complete, only as of the date of the Offer Document. There is no guarantee that the information has been or will be correct at any other time. In case the information in the Offer Document has been received from a third party, this information has been reproduced correctly and – to Arctic Paper's knowledge and ability to confirm through comparison with other information that has been made public by such third party – no information has been withheld in a manner that could render the information given incorrect or misleading. In certain places in the Offer Document, Arctic Paper's position on the market or in relation to its competitors is described. This information is based on Arctic Paper's revenues in relation to the Company's assessment of the size of the markets in question and the revenues of the competitors. The information in the Offer Document is furnished solely for the purpose of the Offer and may not be used for any other purpose.

The information about Rottneros in sections ''Description of Rottneros'' on pages 74-85, ''Rottneros financial information for 2009-2011'' on page 226 and '' Rottneros interim report January – September 2012'' on pages 227-242 in the Offer Document is based on information made public by Rottneros and has been reviewed by the board of directors of Rottneros. Arctic Paper does not guarantee and accepts no responsibility that the information herein regarding Rottneros is correct or complete.

Nordfirst Corporate Finance ("Nordfirst") is acting as financial advisor to Arctic Paper, and no other, in connection with the Offer. Nordfirst will not be responsible to any other than Arctic Paper for providing advice in connection with the Offer. Nordfirst has not assumed any obligation to verify the information herein, and disclaims any responsibility with regard to such information.

Apart from what is indicated in the sections ''Auditor's report regarding the pro forma financial information'' on page 38, "Auditor's report regarding historical financial information" on page 72, and '' Auditor's report regarding historical financial information'' on page 86 or otherwise expressly indicated in the Offer Document, no information in the Offer Document has been reviewed by the auditors of Arctic Paper or Rottneros.

Forward-looking statements

The Offer Document contains certain forward-looking statements. Arctic Paper encourages the reader of the Offer Document to take into account that forward-looking statements do not constitute any guarantee of future results, and that actual results can differ significantly from those described in the forward-looking statements. Forward-looking statements can be identified by the fact that they do not relate only to historical or current facts and may comprise of words such as "may", "will", "seek", "continue", "aim", "anticipate", "target", "expect", "estimate", "intend", "goal", "plan", "believe" or other words of similar meaning. The forward-looking statements can, among other things, include statements regarding the future financial position of Arctic Paper, income growth, assets, depreciations, business strategy, dividend, expected increases in growth within Arctic Paper's area of operations, calculated costs, estimated investments, and plans and objectives for future operations and other statements not comprising historical facts. Forward-looking statements are by their nature associated with risks and uncertainty, since they relate to future events and circumstances, including but not limited to Swedish and global financial and trade related circumstances, market-related risks, the policies and actions of governmental and regulatory authorities, changes in legislation, further development of the application of International Financial Reporting Standards ("IFRS") to past, current and future periods, the development of interpretation and application of the IFRS, rulings in pending and future disputes, results of future acquisitions and other strategic transactions, as well as the impact of competition – a number of such factors being beyond Arctic Paper's control. Therefore, future results may differ significantly from the plans, objectives and expectations described in the forward-looking statements.

All forward-looking statements are furnished as of the date of the Offer Document. With the exception of what is required by NASDAQ OMX or applicable law, Arctic Paper expressly disclaims any obligation or undertaking to publicly announce updates or revisions to any forward-looking statements contained in this Offer Document to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Important information for shareholders outside Sweden and for banks, brokers and other nominees holding shares for persons with residence outside Sweden

In order to access the Offer Document or participate in the Offer, it is required that the participant does not reside in Australia, Hong Kong, Japan, Canada, New Zealand, South Africa or USA, and otherwise can take part in the Offer according to the terms stated in the Offer Document.

The Offer, as per the terms given in the Offer Document, is not being made to persons whose participation in the Offer requires that any additional offer document is prepared or registration is effected or that any other measures are taken in addition to those required under Swedish law. The distribution of the Offer Document to or in certain countries may be restricted by law. Persons who obtain the Offer Document have the responsibility to inform themselves about and observe any such restrictions.

THE OFFER DOCUMENT, THE ACCEPTANCE FORM OR OTHER DOCUMENTATION REGARDING THE OFFER MUST NOT BE MADE AVAILABLE, MAILED OR OTHERWISE DISTRIBUTED OR SENT TO, INTO OR IN ANY JURISDICTION IN WHICH THE DISTRIBUTION OR OFFERING WOULD REQUIRE ANY ADDITIONAL MEASURES TO BE TAKEN BY ANY LAW OR REGULATION IN SUCH JURISDICTION OR THAT WOULD BE IN CONFLICT WITH ANY LAW OR REGULATION IN SUCH JURISDICTION. ARCTIC PAPER WILL NOT PERMIT OR ACCEPT ANY SUCH DISTRIBUTION. IF ANY PERSON RESIDING IN AUSTRALIA, HONG KONG, JAPAN, CANADA, NEW ZEALAND, SOUTH AFRICA OR USA, OR ANY AGENT, FIDUCIARY OR OTHER INTERMEDIATE ACTING ON BEHALF OF A PRINCIPAL RESIDING IN AUSTRALIA, HONG KONG, JAPAN, CANADA, NEW ZEALAND, SOUTH AFRICA OR USA, ATTEMPTS TO ACCEPT THE OFFER AS A RESULT OF DIRECTLY OR INDIRECTLY HAVING VIOLATED THESE RESTRICTIONS, THE ACCEPTANCE MAY BE DISREGARDED.

No information in the Offer Document constitutes an offer to acquire or a solicitation to sell securities in Australia, Hong Kong, Japan, Canada, New Zealand, South Africa or USA or in any other jurisdiction in which such offer or solicitation would be in conflict with the legislation or any other regulation. The Offer is not being made, directly or indirectly, through mail or any other means of communication (including but not limited to telefax, e-mail, telex, telephone and the Internet) in or into Australia, Hong Kong, Japan, Canada, New Zealand, South Africa or USA, and the Offer cannot be accepted in any such way or through any such means of communication in or from Australia, Hong Kong, Japan, Canada, New Zealand, South Africa or USA. Accordingly, the Offer Document, acceptance form or any other documentation pertaining to the Offer will not be sent or in any other way offered in or into Australia, Hong Kong, Japan, Canada, New Zealand, South Africa or USA, and may not be distributed in any similar way. Arctic Paper will not give any consideration as per the Offer to Australia, Hong Kong, Japan, Canada, New Zealand, South Africa or USA. The Offer Document will not be sent, and may not be sent, to shareholders with an address registered in Australia, Hong Kong, Japan, Canada, New Zealand, South Africa or USA. Banks, brokers and other nominees holding shares in trust for persons in Australia, Hong Kong, Japan, Canada, New Zealand, South Africa or USA may not forward the Offer Document or any other documents related to the Offer to such persons.

The shares in Arctic Paper have not been, and will not be registered under the United States Securities Act 1933, as amended (the "Securities Act"), and may not be offered or sold in USA unless such registration under the Securities Act is made, or an exemption from such registration is available.

Acceptances given by an intermediary acting on behalf of a principal in USA may be disregarded. In the Offer Document, USA is considered as: The United States of America, its territories, every state in USA, and District of Columbia.

Definitions

Arctic Paper or the Company	means Arctic Paper S.A., having its registered office in Poznan, Poland, and registration number (KRS No) 0000306944, or, depending on the context, the group in which Arctic Paper S.A. is the parent company.	GBP	means British Pound Sterling.	PLN	means Polish zloty.
CCC	means the Polish Commercial Companies Code (Po: Kodeks spółek handlowych).	KDPW	means the Polish National Depository for Securities (Po: Krajowy Depozyt Papierów Wartościowych S.A.) with its registered office in Warsaw, Poland.	Rottneros	means Rottneros AB, reg. no. 556013-5872, or, depending on the context, the group in which Rottneros AB is the parent company.
Combined Group	means the corporate group that is created through Arctic Paper's acquisition of Rottneros pursuant to the Offer.	NASDAQ OMX	means NASDAQ OMX Stockholm AB.	SEK	means Swedish kronor.
EBITDA	means earnings before interest, tax, depreciation and amortization.	Nemus Holding	means Nemus Holding AB, reg. no. 556618-9766, or, depending on the context, Nemus Holding AB and its wholly-owned subsidiary, Trebruk.	Trebruk	means Trebruk AB, reg. no. 556022-3934.
EUR	means Euro.	Offer	means Arctic Paper's public takeover offer to the shareholders in Rottneros in accordance with the terms set out in this Offer Document.	USD	means U.S. dollars.
Euroclear	means Euroclear Sweden AB.	Offer Document	means this offer document which has been prepared in connection with the Offer.	WSE	means the Warsaw Stock Exchange (Po: Giełda Papierów Wartosciowych w Warszawie S.A.).

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The Offer in brief

For each share in Rottneros, the shareholder is offered 0.1872 shares in Arctic Paper.

As an alternative, shareholders who as of 2 November 2012 as well as at the time of the completion of the Offer own up to and including 2,000 shares in Rottneros can choose to receive a consideration of SEK 2.30 in cash for each share in Rottneros.

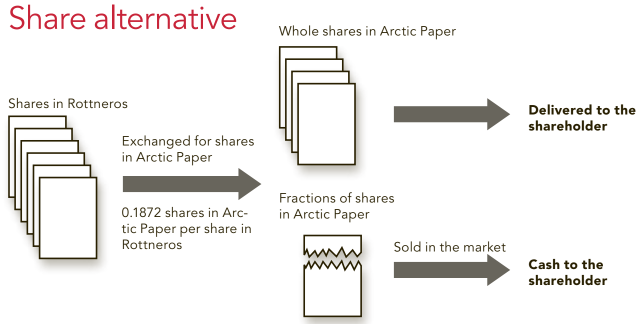
For further information and details regarding the Offer see sections "The Offer" and "Terms and instructions".

The board of directors in Rottneros recommends its shareholders to accept the Offer, see section "Recommendation from the board of directors of Rottneros".

Preliminary timetable:

Acceptance period	22 November – 12 December 2012
Settlement and first day of trading Arctic Paper shares on NASDAQ OMX	20 December 2012

Share alternative



Cash alternative

Summary

Summaries are made up of disclosure requirements known as elements ("Elements"). These elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable".

SECTION A – INTRODUCTION AND WARNINGS		
A.1	Introduction and warnings	This summary should be read as introduction to the Offer Document. Any decision to invest in the securities should be based on consideration of the Offer Document as a whole by the investor. Where a claim relating to the information contained in the Offer Document is brought before a court, the plaintiff investor might, under the national legislation of the member states, have to bear the costs of translating the Offer Document before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Offer Document or it does not provide, when read together with the other parts of the Offer Document, key information in order to aid investors when considering whether to invest in such securities.
SECTION B – ISSUER		
B.1	Legal and commercial name	Arctic Paper S.A., registration number (KRS No) 0000306944
B.2	Domicile, legal form, legislation and country of incorporation	Arctic Paper is a Polish joint-stock company which is formed, registered and operates in accordance with the CCC, with the name Arctic Paper S.A. and is based in Poznan, Poland, with address ul. J. H. Dabrowskiego 334 A, 60-406 Poznan, Poland.
B.3	Current operations and principal activities	The Company conducts paper production, sales and related activities through its subsidiaries. Arctic Paper's subsidiaries which mainly produce paper is Kostrzyn, Munkedals, Grycksbo and Mochenwangen. The Company's paper distribution and marketing is done primarily through its subsidiaries. The Company has a branch office in Sweden.
B.4a	Recent trends in the industry	The demand for fine paper is stable. High pulp prices and unfavorable exchange rates have affected the financial performance of European paper manufacturers, especially in Sweden. The market for graphic paper is mature and relatively stable. Weaker economy has had the effect that long-term, slow decline in Western Europe has continued, while Central and Eastern Europe has continued its relatively strong growth. There are signs that some of Arctic Paper's competitors in the market for fine paper are moving their strategic focus away from this market. If so, it will reduce competition and improve the balance between supply and demand in this sector.

B.5	Group structure	Arctic Paper S.A. is the parent company of a group with 28 subsidiaries, most of which are wholly owned. Arctic Paper's subsidiaries consist of four paper mills situated in Sweden, Poland and Germany, as well as a number of sales and distribution companies in various European countries.
B.6	Notifiable interests, different voting rights and controlling interests	Thomas Onstad is today (through wholly owned subsidiaries), the largest shareholder in both Arctic Paper and Rottneros with about 74.9 percent of the shares and votes in Arctic Paper and 20.2 percent of the shares and votes in Rottneros. Thomas Onstad is also a member of Arctic Paper's supervisory board. Following completion of the Offer, Thomas Onstad will via companies own approximately 56.3 percent of the Combined Group's shares and voting rights if all shareholders in Rottneros accept the Offer and none of the entitled shareholders choose to accept the Cash Alternative. Thomas Onstad will continue to be a member of the supervisory board of the Combined Group. This means that Thomas Onstad after completion of the Offer will be able to exercise significant influence over the Combined Group and at general meetings of the Combined Group. Besides Thomas Onstad, through companies, there is, as far as Arctic Paper is aware, no single owner that will have a significant influence over the Combined Group. Arctic Paper has no information about any other shareholder holding 5.0 percent or more of the total number of outstanding shares and voting rights in Arctic Paper.
B.7	Selected historical financial information for Arctic Paper	

Consolidated income statement

	January – September (unaudited)		January – December (audited)		
(PLN million)	2012	2011	2011	2010	2009
Revenues	**1,986**	**1,854**	**2,527**	**2,288**	**1,809**
Gross profit (loss) on sales	**316**	**251**	**354**	**258**	**469**
Operating profit / (loss)	**42**	**–6**	**3**	**18**	**179**
Profit / (loss) before tax	**10**	**–13**	**0**	**7**	**153**
Net profit (loss) for the period from continuing operations	**16**	**–16**	**12**	**29**	**132**
Total comprehensive income	**11**	**–18**	**8**	**49**	**126**

Consolidated balance sheet

	(unaudited) 30 September		(audited) 31 December		
(PLN million)	2012	2011	2011	2010	2009
ASSETS					
Total fixed assets	**1,059**	**1,121**	**1,132**	**1,148**	**610**
Total current assets	**752**	**767**	**792**	**762**	**570**
TOTAL ASSETS	**1,811**	**1,888**	**1,925**	**1,911**	**1,180**
EQUITY AND LIABILITIES					
Total equity	**677**	**650**	**676**	**668**	**618**
Total non-current liabilities	**321**	**547**	**637**	**500**	**322**
Total current liabilities	**814**	**691**	**612**	**743**	**240**
TOTAL LIABILITIES	**1,134**	**1,237**	**1,249**	**1,243**	**562**
TOTAL EQUITY AND LIABILITIES	**1,811**	**1,888**	**1,925**	**1,911**	**1,180**

B.7 continued

Consolidated cash flow statement

(PLN million)	January – September (unaudited) 2012	2011	January – December (audited) 2011	2010	2009
Net cash flow from operating activities	**71**	**76**	**162**	**120**	**251**
Net cash flow from investing activities	**–35**	**–50**	**–56**	**–231**	**–133**
Net cash flow from financing activities	**–65**	**–86**	**–122**	**130**	**–42**
Cash and cash equivalents at the beginning of the period	166	179	179	140	64
Cash and cash equivalents at the end of the period	**135**	**116**	**166**	**179**	**140**

Key ratios for the group

(PLN million)	January – September (unaudited) 2012	2011	January – December (audited) 2011	2010	2009
Operating margin, %	2.1	–0.3	0.1	0.8	9.9
Profit margin, %	0.8	–0.9	0.5	1.3	7.3
Return on capital employed, %	0.0	0.0	2.4	15.1	190.7
Return on equity after full tax, %	2.4	–2.5	1.8	4.3	21.4
Equity/assets ratio, %	37	34	35	35	52
Debt/equity ratio	1.7	1.9	1.8	1.9	0.9
Interest coverage ratio	4.9	4.4	3.5	4.8	11.8
Equity/share, PLN	12.22	11.74	12.19	12.06	11.16
Operating cash flow/share, PLN	1.30	1.37	2.92	2.17	4.53
Capital expenditure	35.0	31.0	55.0	71.0	220.0
Average no. of employees	1,573	1,597	1,597	1,596	1,141

B.8 Selected pro forma financial information

Pro Forma Consolidated income statement for the period of 9 months that ended 30 September 2012

(PLN million)	Arctic Paper	Rottneros	Elimination of intra-group transactions	Transaction Costs	Rottneros Capital elimination	Purchase Price Allocation	Sales of Pulp presentation	Inventory Margin	Total Pro Forma Adjustments	Final Pro Forma
Revenues	1,986	534	–32				24	–1	–10	2,510
Operating profit / (loss)	42	0	0	–16			0	–1	–17	24
Profit / (loss) before tax	10	3	0	–16		296	0	–1	279	292
Net profit (loss) for the period from continuing operations	16	–1	0	–16		296	0	–1	279	294
Net profit (loss) for the period	16	–1	0	–16		296	0	–1	279	294

Pro Forma Consolidated balance sheet as at 30 September 2012

(PLN million)	Arctic Paper	Rottneros	Elimination of intra-group transactions	Transaction Costs	Rottneros Capital elimination	Purchase Price Allocation	Sales of Pulp presentation	Inventory Margin	Total Pro Forma Adjustments	Final Pro Forma
ASSETS										
Non-current assets	1,059	403							0	1,463
Current assets	752	238	–6						–6	983
TOTAL ASSETS	1,811	641	–6						–6	2,446

(PLN million)	Arctic Paper	Rottneros	Elimination of intra-group transactions	Transaction Costs	Rottneros Capital elimination	Purchase Price Allocation	Sales of Pulp presentation	Inventory Margin	Total Pro Forma Adjustments	Final Pro Forma
EQUITY AND LIABILITIES										
Total equity	677	490		–16	–490	490			–16	1,151
Non-current liabilities	321	10							0	330
Current liabilities	814	141	–6	16		0			10	964
Total liabilities	1,134	151	–6	16		0			10	1,295
TOTAL EQUITY AND LIABILITIES	1,811	641	–6	0	–490	490			–7	2,446

Pro Forma Consolidated income statement for the Financial Year that ended 31 December 2011

(PLN million)	Arctic Paper	Rottneros	Elimination of intra-group transactions	Transaction Costs	Rottneros Capital elimination	Purchase Price Allocation	Sales of Pulp presentation	Inventory Margin	Total Pro Forma Adjustments	Final Pro Forma
Revenues	2,527	690	–54				31	–1	–25	3,193
Gross profit (loss) on sales	354	81	0				3	–1	2	436
Operating profit / (loss)	3	–59	0	–16			0	–1	–17	–73
Profit / (loss) before tax	0	–55	0	–16		296	0	–1	279	224
Net profit (loss) for the period from continuing operations	12	–66	0	–16		296	0	–1	279	225
Net profit (loss) for the period	12	–66	0	–16		296	0	–1	279	225

B.9 Profit forecasts

Not applicable. The Company has not provided a profit forecast.

B.10	Audit report qualifications	Not applicable. There are no remarks in the audit reports.
B.11	Working capital	The management board's opinion is that the Company at the date of the Offer Document has an appropriate and sufficient level of working capital to meet the Company's current operating liabilities and needs over the next 12 months from the date of the Offer Document.
SECTION C – SECURITIES		
C.1	Securities being offered	The Offer relates to ordinary shares that are bearer shares of Arctic Paper. Arctic Paper's shares are intended to be admitted to trading on NASDAQ OMX. Trading in the shares delivered as consideration in the Offer is expected to commence on NASDAQ OMX around 20 December 2012 in connection with the settlement of the Offer. The ISIN code for Arctic Paper's share is PLARTPR00012.
C.2	Currency	The shares are denominated in Polish zloty (PLN). When Arctic Paper's shares are admitted to trading on NASDAQ OMX, the trading there will take place in Swedish kronor (SEK).
C.3	Number of issued shares and par value	The Company has issued shares in several series, however, this does not mean any difference in rights between shares in the different series. At the date of this Offer Document, the Company has issued a total of 55,403,500 shares, each with a nominal value of 1 PLN. All shares are issued and fully paid.
C.4	Rights attached to the securities	At the date of this Offer Document, all of the Company's shares are ordinary bearer shares issued in accordance with Polish law. Each share has the same rights in relation to votes at the General Meeting. All shares have equal rights to dividends and any surplus remaining after liquidation of the Company.
C.5	Transferability restrictions	Not applicable. The shares are freely transferable and can be pledged.
C.6	Admission to trading on a regulated market	The Company's shares are traded on the WSE. Arctic Paper has also been approved for secondary listing on NASDAQ OMX, provided that the freefloat requirement is met.
C.7	Dividend policy	Arctic Paper's dividend policy states that the dividend should be between 25 and 50 percent of the consolidated net income for the year, unless significant investments are required. Through the acquisition of Rottneros, the Combined Group is expected to deliver higher and more stable earnings and when synergies are realized, increasing dividend capacity.
SECTION D – RISKS		
D.1	Key risks specific to the issuer and its industry	An acceptance of the Offer and an investment in the Combined Group's shares involve risks. Shareholders in Rottneros should carefully consider the risks described below and all other information in the Offer Document before deciding whether to accept the Offer, and thus obtain Arctic Paper shares. Risks related to operations include: - increased costs for raw materials such as wood, pulp, energy, and natural gas, which can lead to an unfavorable development of sales, financial condition and results; - increased competition in the markets in which the Company operates, which could lead to sales being adversely affected and that planned revenue levels are not achieved. - the increasing importance of alternative media that can have a negative impact on traditional print media, and therefore on Arctic Paper's and its customers' sales; - changes in environmental laws, which could lead to increased costs and that the Combined Group must make further investments. There is also a risk that the Company or Rottneros previously has caused pollution on properties where they have conducted operations, which may lead to the Combined Group being forced to take restoration and / or clean up measures; - production disruptions, which could lead to the Combined Group being unable to deliver goods to their customers adequately, and other expenditures, for example repairs; - loss of customers in connection with the Offer, due to Arctic Paper being a competitor to many of Rottneros existing customers, that in connection with the Offer may terminate their agreements with Rottneros. There is also a risk that the consolidation trend that exists among the Combined Group's customers leads to the Combined Group having a more concentrated customer base consisting of large customers who have a more favorable negotiating position; and - negative economic trends, which may affect the ad-driven printed medium negative, which in turn can lead to a decline in demand for pulp and paper.

D.3	Key risks specific to the securities	An acceptance of the Offer and an investment in the Combined Group are also associated with risks related to the securities, including, among other things: - market volatility; - low liquidity in the Company's shares, which may cause difficulties for individual shareholders to sell their shares or to sell their shares for a price which is acceptable for the shareholder; - that the shares are traded in different currencies on the WSE and NASDAQ OMX, which may mean that the value of the shares is affected by the exchange rate of PLN / SEK; - that dividends on shares of the Combined Group cannot be guaranteed, and that the amount of such dividend is dependent on a number of factors such as the Combined Group's business development. In addition, any future dividends will be paid in PLN, which means that those shareholders whose shares are registered with Euroclear and will receive dividends in SEK, and are thus exposed to the exchange rate of PLN / SEK; - that the Company's main shareholder is expected to remain the major shareholder in the Combined Group, and thus will be able to exercise significant influence over the Combined Group. There is no guarantee that Arctic Paper's main shareholders' interests at all times will align with other shareholders' interests; - that the secondary listing of Arctic Paper on NASDAQ OMX can take longer time to implement than expected, which means that shares cannot be traded on NASDAQ OMX at the expected time or that shareholders will not be able to perform any or all corporate or ownership rights deriving from the shares; and - unfavorable development of the exchange rates that affect the Combined Group, mainly EUR, USD, PLN, SEK and GBP. In addition, it should be noted that stock trading is always associated with risk and the pricing of shares is dependent on factors outside the Combined Group's control. An equity investment may decrease in value and there is no guarantee that investors will get back the capital invested or any capital at all.
SECTION E – OFFER		
E.1	Net proceeds and expenses	Integration costs related to the Offer is expected to amount to approximately SEK 18 million (PLN 9 million) in 2012 and 2013, primarily related to integration and severance costs. Arctic Paper's transaction costs are expected to amount to approximately SEK 22 million (PLN 11 million). Rottneros has informed Arctic Paper that its transaction costs are estimated at around SEK 11 million (PLN 5 million). Total estimated integration and transaction costs amount to approximately SEK 51 million (PLN 25 million).
E.2a	Reasons for the Offer and use of proceeds	Through the creation of an integrated pulp and fine paper supplier producer, the Combined Group will be much less vulnerable to volatile pulp prices over the business cycle. It also reduces the Combined Group's currency risk through a reduced exposure to non-European currencies. Consequently, expected volatility in financial performance decrease. The geographic proximity between Rottneros pulp mills and Arctic Paper's paper mills offers logistical advantages and reduces transportation costs. Along with other synergies, mainly in administration, it is estimated that total annual cost synergies will amount to SEK 80 million (PLN 39 million) and be fully realized within 12 to 18 months. The Combined Group will benefit from a significantly increased operational capacity, a stronger balance sheet and greater access to capital markets. Hereby, the Combined Group will be well positioned to take advantage of future strategic investment opportunities.

E.3	Terms and conditions of the Offer	For each share in Rottneros the shareholder is offered 0.1872 shares in Arctic Paper. As an alternative, shareholders holding not more than 2,000 shares in Rottneros can choose to receive SEK 2.30 in cash for each share of Rottneros. **Completion of the Offer is conditional upon:** 1) the Offer being accepted to such extent that Arctic Paper becomes the owner of shares representing more than 90 percent of the total number of outstanding shares in Rottneros on a non-diluted basis as well as on a fully diluted basis; 2) the resolutions necessary for the delivery of Arctic Paper shares in connection with the Offer being (a) adopted by Arctic Paper's general meeting and (b) registered by the relevant registry court; 3) with respect to the Offer and completion of the acquisition of Rottneros, all necessary clearances, approvals, decisions and other actions from authorities or similar, including approvals from competition authorities, being obtained, in each case on terms which, in Arctic Paper's opinion, are acceptable; 4) no other party announcing an offer to acquire shares in Rottneros on terms that are more favorable to the shareholders of Rottneros than the Offer; 5) neither the Offer nor the acquisition of Rottneros being rendered wholly or partially impossible or significantly impeded as a result of legislation or other regulation, any decision of court or public authority, or any similar circumstance, which is actual or can reasonably be anticipated, and which Arctic Paper could not reasonably have foreseen at the time of announcement of the Offer; 6) no circumstances, which Arctic Paper did not have knowledge of at the time of announcement of the Offer, having occurred that have or can be expected to have a material adverse effect upon Rottneros' sales, profit, liquidity, equity or assets; 7) no information made public by Rottneros being materially inaccurate, incomplete or misleading, and Rottneros having made public all information which should have been made public by it; and 8) Rottneros not taking any measures that are likely to impair the prerequisites for making or implementing the Offer. The acceptance period runs from 22 November until 12 December 2012. Settlement and first day of trading in the new Arctic Paper shares is expected to occur on 20 December 2012.
E.4	Interests material to the Offer	Thomas Onstad, who is a member of the supervisory board of Arctic Paper, is related to Arctic Paper's largest shareholder Nemus Holding. Nemus Holding is also a major shareholder in Rottneros. Potential conflicts of interest may possibly arise between the above member's private interests and Arctic Paper's interests in relation to the Offer, on account of the fact that Thomas Onstad, indirectly, is a significant shareholder in Arctic Paper and Rottneros.
E.5	Seller of the security and lock-up agreements	Not applicable. The Offer consists of shares sold by the Company.
E.6	Dilution	Assuming that the Offer is fully accepted and that none of the entitled shareholders of Rottneros choose to accept the Cash Alternative, 28,561,464 new shares in Arctic Paper will be issued in connection with the Offer, representing 34 percent of the shares and votes in the Arctic Paper after completion of the Offer.
E.7	Expenses charged to the investor	No commission is paid in the Offer.

Risk factors

An acceptance of the Offer and an investment in the Combined Group's shares involve risk-taking. Shareholders in Rottneros should carefully consider the risks described below, as well as all other information in the Offer Document, before a decision is made to accept the Offer and thereby obtain Arctic Paper shares. The order in which the risks are presented is not aimed at giving any indication of the likelihood that they will materialize, their scope or their significance. If any of the following risks should materialize in whole or in part, the Combined Group's operations, financial situation, result, liquidity and/or future prospects may be negatively affected. In such event, the value of the shares may decline and shareholders may lose all or parts of their investment. Other risks, which Arctic Paper at present has no knowledge of, may also have a negative effect on the share value.

This Offer Document also contains forward-looking statements which are dependent on future events, risks and insecurities. As a result of multiple factors, among them the risks described below and in other places of the Offer Document, the actual results may deviate significantly from the expected result, based on the forward-looking statements, see section "Important information" – "Forward-looking statements".

Risks related to the Offer and the securities

Terms of completion

In accordance with what is stated below in section "Terms and instructions", Arctic Paper has set up certain conditions for the completion of the Offer. Since the factors that these conditions are based upon are beyond Arctic Paper's control, there are no guarantees for when the Offer will be completed, or that it will be completed at all. The insecurity that may occur on the market in connection with this may result in a negative impact on the value of the shares in Arctic Paper and/or Rottneros.

Share price and liquidity

The market for securities is very volatile. As an equity investment can both rise and fall in value, it is not certain that an investor will get back the capital invested. An investment in shares, including shares in Arctic Paper, should never be seen as a quick way to generate revenue, but rather as an investment you make in the long term with capital that can be spared.

The value of the Combined Group's shares may fluctuate in the future, even as a result of events that are not directly linked to Arctic Paper or to the operations of the Combined Group. Therefore there is no guarantee regarding the future share price development of the Combined Group's shares. The share price may experience a negative development after the completion of the Offer, due to the increased number of shares in Arctic Paper. The share price can also be negatively affected as a result of market volatility (see above), the possibility of a large number of shares being sold on the market, or as a result of an expectation that such divestment will occur, or as a consequence of or in relation to the Offer. The sale of shares may also make it difficult for the Combined Group to obtain capital through new issues of shares or other securities in the future. Furthermore, a limited liquidity of the Combined Group's shares may increase the fluctuations of the share price. A limited liquidity may also make it difficult for individual shareholders to sell their shares. There is also a risk that shares in the Combined Group cannot be sold at a price acceptable to the shareholder at a certain time.

Dilution

It cannot be ruled out that the Combined Group for various reasons will make new issues of shares in the future. A new issue may dilute the holdings for existing shareholders and negatively affect the market price of the Combined Group's shares. Arctic Paper has a performance-based incentive program under which senior executives and other employees under certain conditions may acquire shares in the Company. New incentive programs may be implemented in the future, and this may lead to dilution for existing shareholders.

Different trading currencies for shares traded on WSE and NASDAQ OMX, respectively

The Arctic Paper shares traded on WSE are traded in PLN and the shares traded on NASDAQ OMX will be traded in SEK. Therefore, the value of the shares will not only be dependent on the value of the Combined Group but also on the PLN/SEK exchange rate. Changes in the PLN/SEK exchange rate may have an adverse effect on the share price for the shares despite that no price affecting events has occurred in the Combined Group.

Moreover, should the Combined Group pay dividends in the future these will be paid in PLN where shareholders with their shares registered with Euroclear will receive dividends in SEK entailing an exposure to the PLN/SEK exchange rate.

Dividend

The size of any future dividend from the Combined Group is dependent on a number of factors, such as the Combined Group's business development, results, financial position, cash flow and need for working capital. As the Company is a holding company, its ability to distribute dividend depends on the level of dividend it receives from operational subsidiaries and the level of its cash balance. There are many risks that may affect the Combined Group's earnings and there is no guarantee that the Combined Group will be able to present results that enable distribution of dividend to shareholders in the future. In the event that no dividend is distributed, returns on the investment in the Combined Group will solely be generated by the potential development of the share price.

Shareholders with significant influence
Arctic Paper's main shareholder is expected to remain a main shareholder after the Offer and will hold a substantial shareholding in the Combined Group following completion of the Offer. Thus, Arctic Paper's main shareholder may affect Arctic Paper and the Combined Group materially, in respect of, inter alia, matters which are subject to a vote at a general meeting, including decisions on dividends, capital increase, appointment and dismissal of directors of the supervisory board and management board as well as amendment of the articles of association. There is no guarantee that Arctic Paper's main shareholder's interests at all times will align with other shareholders' interests.

Major shareholders' disposal of shares
If the Combined Group's major shareholders sell large numbers of shares in the stock market, or if the market believes that such sale may occur, the Combined Group's share price could be negatively affected. There is no guarantee that major shareholders in Arctic Paper and Rottneros will maintain their stake in the Combined Group after completion of the Offer.

Offer turns out unsuccessful
Both Arctic Paper and Rottneros risk negative consequences if the Offer is not completed. For example, the share prices of both companies may fall if the Offer is not completed after announcement. A large portion of the costs associated with the Offer must be paid regardless of whether the Offer is completed or not. Furthermore, Rottneros' and Arctic Paper's present and future employees may experience uncertainty about the combination of the two companies and choose to terminate their employment. Such terminated relationships may obstruct the combination of the two companies, and if the Offer is not completed it may have a negative effect on Rottneros' and Arctic Paper's operations.

Agreements in Rottneros
Rottneros has informed Arctic Paper that, as far as Rottneros is aware, Rottneros is not party to any critical agreements where the counterparty will have a right to terminate such agreement upon completion of the Offer. However, it cannot be ruled out that such agreements exist and that Rottneros' counterparties will terminate such agreements or try to negotiate better terms with Rottneros, which may lead to an adverse effect on the Combined Group, its liquidity and / or financial position.

Secondary listing of Arctic Paper
In connection with the Offer, Arctic Paper will become secondary listed on NASDAQ OMX, in addition to its primary listing on the WSE. There is a risk that the listing of Arctic Paper's shares on NASDAQ OMX will be delayed as it can take longer than anticipated to get the relevant approvals for such listing from NASDAQ OMX and/or relevant authorities. It will not be possible to trade Arctic Paper shares on NASDAQ OMX until the secondary listing is implemented.

Dual affiliation with securities depositories
The shares in Arctic Paper are deposited with KDPW and the shares used as consideration in the Offer will be delivered through Euroclear's system. Likewise, the shares that will be traded on NASDAQ QMX will be registered with Euroclear via KDPW. It cannot be ruled out that this solution may entail logistical and technical problems for the shareholders having their shares registered with Euroclear. Such problems may entail disturbances in transferring shares between the depositories, receiving dividends, notices distributed via the depositories, and problems in exercising any or all of the shareholder's rights, such as attending general meetings.

Market effectiveness
The shares in Arctic Paper will be admitted to trading on both WSE and NASDAQ OMX. It cannot be ruled out that either of the markets may become less liquid and the price of Arctic Paper shares on these two markets may differ. This may entail that shareholders trading on only one market will not be able to sell their shares at a correspondingly high price as if the shares had been traded on the other market.

Settlement of the Offer
The shares that will be delivered as consideration in the Offer will, for practical reasons, be existing shares provided by Arctic Paper's main shareholder Nemus Holding. Nemus Holding will in return receive a corresponding number of warrants entitling to subscription of the same number of new shares in Arctic Paper. As the resolution by the general meeting of Arctic Paper regarding a potential increase of the share capital and the issuance of the warrants must be registered with relevant Polish authorities before the warrants can be exercised, Nemus Holding will not lend its shares until such registrations have been completed. There can be no guarantee as to the turnover time for such registrations and, accordingly, it cannot be ruled out that there may be delays in the settlement of the Offer.

Futhermore, there is also a risk that such registration is refused by the competent Polish authorities, which may entail that the Offer is not completed, see section "The Offer" – "Approvals from authorities" and the conditions for completion of the Offer in section "Terms and instructions".

Risk related to the Company and the industry

Operational risks

Production disruptions
The Combined Group's production activities will be a process industry in which interruptions or disturbances at any stage, such as breakdown, weather conditions, labor disputes, acts of terrorism, human errors, lack of raw materials and natural disasters, may cause that the production at one or more mills is stopped. Any distortion, even relatively short, may have a significant adverse effect on the Combined Group's operations, revenues, financial position and results and may involve significant costs for repair, liability towards customers whose orders the Combined Group is not able to complete and other expenditures. Arctic Paper has signed business interruption insurance as protection in the event of breakdowns or other production problems. Although Arctic Paper believes that the Combined Group will be insured to sufficient amounts, it is uncertain whether lost amounts, in whole or in part, may be recovered through the insurance or if received insurance amounts will cover all costs incurred.

New organization
After completion of the Offer, Rottneros' business will be combined with Arctic Paper's business. Even if Arctic Paper currently does not have any intentions to make any significant changes of the companies' business, they may be affected by the combination. The combination may, among other things, lead to loss of customers. Neither can it be excluded that the combination of Arctic Paper and Rottneros is made difficult or impossible by factors currently unknown to Arctic Paper.

Dependence on key personnel
Key personnel will be of importance for the Combined Group's future success. For the Combined Group it is important to recruit and retain qualified personnel and management. If key personnel leave the Combined Group or if the Combined Group cannot recruit competent and qualified personnel to the extent desirable, this could have a negative impact on the Combined Group's business, financial position and results.

Lack of positive effects
No guarantees can be given that the synergies and other positive effects currently foreseen by Arctic Paper will be fully achieved or achieved at all, which may have a negative effect on the Combined Group's business.

Reliability on IT systems
Arctic Paper relies on IT systems in its day-to-day operations. Disruptions or faults in critical systems have an impact on production, sales and distribution. Errors in the handling of financial systems can affect the Combined Group's reporting of results.

Competition
Growing competition in the European paper market
Arctic Paper operates in a highly competitive market that is characterized by strong price competition and other competition factors such as quality and service. Both the pulp market and the fine paper market are also affected by changes in production capacity which occasionally creates differences between supply and demand, which tends to give a volatile pricing of pulp and fine paper. It cannot be ruled out that historical price and volume fluctuations in the pulp and fine paper markets also may occur in the future, which could have a material adverse effect on the Combined Group's sales, financial position and results. A potential growth of competition resulting from a possible increase in production capacities of the Combined Group's competitors, and thus, in the paper supply in the market, can have an adverse effect on the achievement of planned revenues and the ability to achieve financial and operating assumptions made.

Growing importance of alternative media
The trends in advertising, electronic transmission and storage of data, as well as the internet, may have an adverse effect on traditional print media, and in consequence, on the products of Arctic Paper and its customers. Thus, there is a risk that the demand for Arctic Paper's prodcts declines. However, it is not possible to predict the timing or scope of those trends with a high degree of certainty.

Legal
Changes in law
Arctic Paper and Rottneros operate in a legal environment characterized by a high level of uncertainty and instability. Regulations concerning Arctic Paper's and Rottneros' activities are often amended and there is no uniform interpretation, which involves a risk of a breach of applicable regulations and thereto related consequences, even if the breach of law is unintentional. Furthermore, changes in environmental protection rules 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.

Disputes
The Combined Group will from time to time be involved in disputes within the course of the normal business operations. Large and complex disputes can be costly, require time and resources and may disrupt normal business operations. It cannot be ruled out that the outcome of disputes may have a negative impact on the Combined Group's results and financial position.

Labor disputes
Collective or other disputes with employees or other forms of industrial action, as well as negotiations with labor unions may have a material adverse effect on Arctic Paper's business.

Raw material
Changes of prices of raw materials, energy and products
The Combined Group is expected to be exposed to a high risk of changes in the prices of raw materials and energy, primarily in connection with changing prices of pulp, fuel oil, diesel oil, coal and energy. Arctic Paper buys pulp under framework agreements or one-time

transactions and does not hedge against pulp price fluctuations. Neither does Arctic Paper hedge against the risk of an increase in coal and fuel oil prices used in Arctic Paper Mochenwangen. The Combined Group will also be exposed to price changes in wood needed for pulp production. The risk of price changes of products is connected primarily to changes of paper prices in markets where Arctic Paper sell its products. Any significant increase in the prices of one, or more than one, raw material can have an adverse effect on the Combined Group's results and financial position.

Limitations on natural gas supplies
The only supplier of natural gas used by Arctic Paper 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 the paper production at Arctic Paper Kostrzyn. Any distortions in gas supplies to the paper mill at Kostrzyn nad Odrą may have an adverse effect on Arctic Paper's production, results and financial position.

Wood and wood prices
Arctic Paper's aim is to conclude multi-year contracts with the largest wood and wood chip suppliers to reduce reliance on the spot market. Even where no formal multi-year contracts are signed, the objective is to maintain long-term business relationships. The agreements refer primarily to quality and quantity, while the price regularly is negotiated and adapted to market development.

There is a risk that supply problems could arise if agreement on price is not reached or if concluded agreements would be terminated and could not be extended. Severe supply problems could also arise, for example due to labor disputes, adverse weather conditions or other events beyond Arctic Paper's control. All delivery problems imply a risk to result in material adverse effect on the Combined Group's sales, financial position and results.

An increase in price of wood raw material could also have a negative effect on the Combined Group's financial position and results if the Combined Group would not be able to compensate for this through higher prices for their products. Since wood prices are largely affected by the demand from the pulp industry, there is a risk that increased production of pulp in the Combined Group's geographical area of activity can lead to increased prices for wood in the future, and thus higher costs. Increased demand for wood raw material for other purposes, such as for energy, may also imply higher prices. Furthermore, increased customs duties may adversely affect the price of imported wood.

Energy prices
The high electricity prices have caused the pulp and fine paper industry problems for several years. The electricity market is very volatile. There is a risk that energy prices in the future develop in an unfavorable way for the Combined Group, which could have a material adverse effect on the Combined Group's financial position and results.

Customers

Customer spread
Arctic Paper has several large customers with geographic spread. Most of Arctic Paper's sales take place in Europe, where Germany, the Nordic Countries, Poland, France and UK are the largest markets. Overall, Arctic Paper has approximately 3,000 customers, including the five largest representing approximately 1/3 of the revenues.

Arctic Paper is a competitor to some of Rottneros' existing customers. Hence, there is a risk that existing customers do not appreciate the Offer from Arctic Paper to Rottneros' shareholders and may thus terminate their agreements with Rottneros. This could have a material adverse effect on the Combined Group's sales, financial position and results.

Consolidation and liquidity of the key customers
Consolidation tendencies among the Combined Group's 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 negotiation position when negotiating conditions of paper purchase or make a decision regarding change of a supplier and buy products of the Combined Group's competitors. Each of the above factors can have an adverse effect on the Combined Group's results and financial position.

Environment

Environmental risks
Arctic Paper's and Rottneros' respective operations are subject to permit and registration obligations relating to e.g. environment and energy in several jurisdictions. As far as Arctic Paper is aware, the Combined Group will, immediately after completion of the Offer, have all required material permits and comply with each material safety, reporting and inspection requirement pursuant to applicable regulations.

Violating any granted permit entails a risk that measures must be taken which could include imposing production restrictions or that new investments must be made. Should a company violate any permit there may be a risk of revocation of the permit or substantial fines, in addition to criminal liability.

Changes in law or statutory regulations involving more stringent requirements or changed conditions concerning health, safety and/or environment, or moves towards stricter application by authorities of law and regulations may require additional investments and result in increased costs and other measures for the companies in the Combined Group which are subject to such regulations. Should the Combined Group fail to deal with such changes in a cost-effective way, this may have an adverse impact on the Combined Group's business, financial position or results.

Moreover, there is no guarantee that Arctic Paper's and Rottneros' respective current and previous activities have not caused contamination to properties where they have operated. Possible contaminations resulting from Arctic Paper's or Rottneros' respective current or previous operations, or the Combined Group's future operations, may oblige the Combined Group to perform restoration/clean-up measures which may have an adverse impact on Combined Group's business, financial position or results.

Carbon dioxide emission limits
Arctic Paper's paper 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 will increase accordingly. Furthermore, the Combined Group 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 the Combined Group may be forced to reduce the volume of energy generated or to increase the costs of production, which may have an adverse effect on the Combined Group's business, financial position, results or development prospects.

Financial risks
Currency exposure
The Combined Group's revenues, financial position and results are expected to be highly dependent on currency exchange rates. Arctic Paper is most affected by the relationship between EUR, USD, PLN, SEK and GBP. If the exchange rates develop in an undesirable way, it may have a material adverse effect on the Combined Group's revenues, financial position and results.

The Combined Group's revenues are expected to be mainly in EUR, USD, PLN, SEK and GBP. The Combined Group's costs are expecteed to be in USD (pulp purchases), SEK (Swedish pulp and majority of other costs incurred by mills in Sweden), EUR (German wood and majority of other costs incurred by mill in Germany) and PLN (majority of other costs incurred by the paper mill in Poland).

Conversion exposure
The Combined Group does not intend to hedge the foreign subsidiaries' equity. Counterparty risks relating to currency hedges will be made with larger banks and will consist of exclusively exchange contracts. Changes in currency exchange rates may have an adverse impact on the Combined Group's equity.

Liquidity risk and refinancing
The Combined Group intends to manage liquidity risk by striving to maintain sufficient floating assets and short-term investments in a liquid market and the necessary financing through credit facilities. Arctic Paper's liquidity risk consists of short-term investments which are not possible to dispose of within the necessary timeframe to market valuation. Furthermore, there is a risk that a deteriorated financial performance of the Combined Group's operations may lead to liquidity deterioration. Reduced liquidity, in turn, may have several secondary effects that affect the Combined Group adversely, including deteriorated credit conditions and terms of delivery.

Arctic Paper's financing risks will cover potential increased costs for, and any delays associated with, the financing of the capital need of the business and the refinancing of Arctic Paper's outstanding loans. If the Combined Group's development differs from the plans it cannot be excluded that additional capital will be needed and there is a risk that such capital cannot be obtained on terms acceptable to the Combined Group. If the Combined Group fails to raise the required capital in the future, the Combined Group's continued operations may be significantly adversely affected.

Credit risk
The main credit risk in the Combined Group is expected to be that a customer or other business partner is unable to settle their transactions with the Combined Group. If customers have payment difficulties or default, the payment flows that the Company is dependent on may be disturbed. This may affect the Combined Group's financial position and results negatively. Credit risk in trade receivables will be minimized through credit insurance. If the Combined Group's upcoming measures to minimize credit risk are not sufficient, this may have a negative effect on the Combined Group's financial position and results.

Changes of interest rates
Arctic Paper is exposed to the risk of changes of interest rates, mainly due to an existing interest 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. Adverse changes of interest rates may adversely affect the results, financial situation and prospects of the Combined Group.

Capital investments
Arctic Paper's management conducts an annual review of the investment needs for all mills for the coming years. This includes ongoing annual investments, expansion investments to remove bottlenecks and investments intended to improve quality.

The Combined Group will strive to have a cost-effective investment strategy and acquire used equipment to the extent that it suits the Combined Group's needs. In the future, it is likely that the Combined Group will have to make significant investments to maintain and improve its competitiveness. Such investments may involve substantial negative cash flow at the time of investment, and higher depreciation and a higher cost of capital going forward, which in turn could have a material adverse effect on the Combined Group's financial position and results.

Investment projects
The Combined Group's investment projects in order to

enhance the production capacities will generally require significant investments and relatively long periods of implementation. Therefore, the market conditions for the Combined Group can change significantly between the time when the Combined Group makes a decision on making investments in increasing production capacities and the time when the increased production capacities become operational.

There is no guarantee that the Combined Group will be able to match its investments with the demand for its products. The differences between future demand and investments may lead to production capacities not being fully used or the production capacities being too low to match demand. This may have an adverse effect on the Combined Group's operations and financial position.

Low operating margins

Historically speaking Arctic Paper's and Rottneros' results have been characterized by relatively high volatility and low operating margins. The decline in revenues caused by, among other things, change of production capacities, productivity, pricing policy or an increase in operating expenses, the main components of which are the costs or raw materials (mainly pulp) and energy, may lead to a loss of the Combined Group's ability to generate profits. Material adverse changes of profitability can lead to a decline in the value of the Combined Group's shares and limit the Combined Group's ability to generate working capital, which may have an adverse effect on the Combined Group's operations and future prospects.

Arctic Paper's debt

Arctic Paper has indebtedness on account of loan agreements and a bond program. On 25 February 2013 the Principal (face value) of the bonds will be repaid, see further the section "Capitalization and other financial information" under "Credit facilities and loans". It is possible that Arctic Paper will not be able to make timely repayments or refinance the debt on account of loans and/or bonds and comply with the financial ratios pursuant to the loan agreement and/or bonds, which may give rise to a breach of the loan agreement and potentially a subsequent loss of collateralized assets. If a breach of the agreement occurs, it could lead to Arctic Paper's debt falling due, the banks being able to take control over critical assets such as the paper mills. Moreover, this could lead to a reduction of credibility and a loss of access to external sources of finance, and consequently, a loss of financial liquidity. This may have an adverse effect on Arctic Paper's operations, outlook and share price.

Tax

General tax risks

The Combined Group intends to conduct its business, including transactions between group companies, in accordance with applicable tax laws and regulations in the concerned countries, tax treaties and tax authorities' requirements. It cannot be ruled out that the Combined Group's interpretation of the applicable rules and administrative practice is not entirely correct, or that the rules and practices are subject to change, possibly with retroactive effect. Through tax authorities' decisions, Arctic Paper's or Rottneros' previous or current tax situation may deteriorate.

Taxation of equity contribution

In 2007, Arctic Paper Munkedals transferred to Trebruk (which at the time owned all Munkedals shares) a so called group contribution (Sw: *koncernbidrag* – a Swedish law concept) of SEK 200 million. At the same time, Trebruk made a cash contribution of SEK 172 million to Arctic Paper Munkedals. As a result of the above operations, Arctic Paper Munkedals' tax loss increased which was credited against income in subsequent tax years. Even though under the Swedish tax law such actions are admissible, there is a risk that as a result of the transfer of Arctic Paper Munkedals shares to Arctic Paper, the Swedish tax authorities will question the settlement of the loss in line with the Swedish Act on Tax Avoidance (Sw: *lagen* (1995:575) *mot skatteflykt*). If Swedish tax authorities effectively challenge the settlement of the loss, it will not be possible to credit the loss resulting from the transfer of Arctic Paper contribution. Furthermore, Arctic Paper Munkedals can be required by the Swedish tax authorities to pay an additional tax of 10 percent of the value of the group contribution transferred to Trebruk, i.e. SEK 20 million, which may have an adverse effect on Arctic Paper's financial position.

Loss of tax reliefs in connection with Arctic Paper Kostrzyn operations

Arctic Paper 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 Arctic Paper Kostrzyn's compliance with the statutory provisions, regulations and other conditions for using tax relief, including 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 Arctic Paper Kostrzyn of the conditions of the permit based on which the relief has been granted may result in a loss of the relief and have a material adverse effect on Arctic Paper's results and financial position.

Price

The economy, pulp and fine paper prices

Demand variations are mainly attributable to the general economic climate in which fluctuation in important customer segments, such as the advertisement driven printed media, is reflected in the pulp and fine paper consumption. Factors that have an impact on the demand of pulp and paper include:

- GDP growth – historically, the demand of pulp and fine paper has tended to increase with increased marketing investment and industrial production, both of which are linked to the GDP growth.
- Disposable income – disposable income affects the demand for consumer goods and propensity to buy books which affects pulp and fine paper consumption.
- Production capacity in the pulp and fine paper industry – both the pulp and the fine paper industry are adversely affected by an increase in supply.

- Pulp and paper consumption – strongly driven by cultural and social factors in society, population, wealth and level of education.
- Technological development – technological development brings both positive and negative effects on the demand for paper. It brings positive effects by printing innovations and negative effects by the use of alternative non-paper based media.

The dependency on the economic climate means that the conditions in the general economy will affect the Combined Group's operations. There is therefore a significant risk that the Combined Group's sales, financial condition and results may be adversely affected during a financial downturn in the general economy.

Pulp price hedging

The Combined Group may from time to time to hedge the price of pulp if attractive levels can be obtained. There is a risk that concluded pulp price hedges in retrospect may prove unprofitable and lead to a deterioration in earnings and financial position for the Combined Group compared to if they had not been concluded.

The Offer

The Offer

On 7 November 2012, Arctic Paper announced an offer to acquire all shares in Rottneros.

Share Alternative

For each share in Rottneros tendered in the Offer, the shareholder will receive 0.1872 shares in Arctic Paper (the "Share Alternative").

Only whole shares in Arctic Paper will be delivered to Rottneros shareholders who accept the Share Alternative. Fractions of shares will be combined and sold on NASDAQ OMX on behalf of the Rottneros shareholders concerned, and the average net proceeds will thereafter be distributed among such shareholders in relation to the size of each shareholder's fraction of an Arctic Paper share.

Cash Alternative

As an alternative to the Share Alternative, shareholders who as of 2 November 2012 as well as at the time of the completion of the Offer own up to and including 2,000 shares in Rottneros can choose to receive a consideration of SEK 2.30 in cash for each share in Rottneros tendered in the Offer (the "Cash Alternative").[1]

Offer consideration adjustment, etc.

The offer consideration under the Share Alternative and the Cash Alternative will be adjusted should Rottneros, prior to the settlement of the Offer, distribute a dividend or in any other way distribute or transfer funds to its shareholders.

No commission will be charged in connection with the Offer.

Warrants issued by Rottneros

The Offer does not comprise Rottneros' warrants 2010/2013 series A[2] which have been issued during 2010 to a limited number of members of senior management of Rottneros within a share-related incentive program. Arctic Paper will procure that the holders of such warrants receive a fair treatment and intends to make a private offer with a consideration of approximately in aggregate SEK 17 (PLN 8) for all 12 million warrants.

Offer value and premium[3]

The total value of the Offer for all shares in Rottneros amounts to approximately SEK 351 million (PLN 169 million), corresponding to SEK 2.30 per share in Rottneros, based on the share price and exchange rate on 6 November 2012.[3]

Based on the volume-weighted average price for the Rottneros share on NASDAQ OMX during the last 90 calendar days up to and including 6 November 2012 of SEK 1.81, the Offer represents a premium of 27.3 percent. Based on the volume-weighted average price for the Rottneros share on NASDAQ OMX during the last 30 calendar days up to and including 6 November 2012 of SEK 1.82, the Offer represents a premium of 26.2 percent. Based on the last paid share price for the Rottneros share on NASDAQ OMX before the trading halt on 6 November 2012, the last trading day prior to announcement of the Offer, of SEK 2.01, the Offer represents a premium of 14.4 percent.

Acceptance period

The acceptance period for the Offer runs from 22 November 2012 to 12 December 2012. Settlement will begin as soon as possible after Arctic Paper has announced that the terms of the Offer have been fulfilled, or otherwise have decided to complete the Offer. Provided that such announcement is made at the latest on 14 December 2012, settlement is expected to commence around 20 December 2012. Arctic Paper reserves the right to extend the acceptance period for the Offer, as well as to defer the payment of consideration. For more information, see section "Terms and instructions".

Listing of Arctic Paper

The shares in Arctic Paper are listed on WSE (ticker: ATC). In addition to the primary listing on WSE, the shares in Arctic Paper are intended to be secondary listed on NASDAQ OMX in connection with the settle-

[1] The Cash Alternative is offered only to shareholders in Rottneros who own up to and including 2,000 shares as of 2 November 2012 (being the most recent time prior to announcement of the Offer for which Arctic Paper has access to complete ownership information from Euroclear) as well as at the time of the completion of the Offer, provided that the shares of such shareholders are directly registered or registered in the name of an authorized nominee pursuant to the Swedish Act (1998:1479) on Record-Keeping of Financial Instruments. Shareholders in Rottneros who hold shares through other nominees or custodians are offered only the Share Alternative. Accordingly, for example, a shareholder in Rottneros who holds shares through a deposit bank or other agent, that appears to be a nominee registered shareholder in Euroclear's VPC system, is offered only the Share Alternative (and not the Cash Alternative).

[2] Rottneros currently has 12,000,000 outstanding warrants 2010/2013 series A. Each warrant entitles the holder to subscribe for 0.1 new Rottneros share, i.e. 10 warrants are required to subscribe for 1 new Rottneros share. The subscription price for each new Rottneros share is SEK 9.75 in cash. The warrants can be exercised for subscription of new Rottneros shares at any time up to and including 16 May 2013.

[3] The Offer value and premium calculations are based on 152,571,925 outstanding shares in Rottneros (i.e. excluding 821,965 own shares held by Rottneros), and the closing price of the Arctic Paper share as well as the SEK/PLN mid exchange rate published by the Swedish Central Bank on 6 November 2012 (the last trading day prior to announcement of the Offer).

ment of the Offer. NASDAQ OMX has approved Arctic Paper for secondary listing on NASDAQ OMX provided that the exchange's requirement regarding sufficient free float is met. Arctic Paper makes the assessment that the free float requirement will be met in connection with the settlement of the Offer.

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Recommendation of the board of directors of Rottneros

The board of directors of Rottneros unanimously recommends that Rottneros' shareholders accept the Offer. The board of directors of Rottneros has obtained an opinion regarding the financial fairness of the Offer from KPMG. In its opinion, KPMG states that the Offer is fair from a financial point of view.

Nemus Holding's holding in Arctic Paper and Rottneros

Nemus Holding owns 41,479,500 shares in Arctic Paper, corresponding to 74.9 percent of all shares and votes in Arctic Paper, and is thereby the largest shareholder in Arctic Paper.[1]

Furthermore, Nemus Holding owns 30,857,435 shares in Rottneros, corresponding to 20.2 percent of all shares and votes in Rottneros, and is thereby the largest shareholder also in Rottneros.[2] However, Nemus Holding has no board representation in Rottneros and has not been involved in Rottneros' handling or decisions regarding the Offer.

Arctic Paper's holding in Rottneros

Arctic Paper does not currently own or control any shares in Rottneros and has not acquired any shares in Rottneros during the last six months prior to announcement of the Offer. Neither does Arctic Paper hold any financial instruments in Rottneros that provide a financial exposure equivalent to a holding of shares in Rottneros.

Commitments from shareholders in Rottneros[3]

Nemus Holding, holder of 30,857,435 shares in Rottneros, corresponding to 20.2 percent of all shares and votes in Rottneros, has irrevocably and unconditionally undertaken to accept the Offer.

In addition, Danske Bank A/S and DNB Bank ASA, holders of, in aggregate, 12,902,546 shares in Rottneros, corresponding to 8.5 percent of all shares and votes in Rottneros, have undertaken to accept the Offer, provided that no other party prior to the expiry of the acceptance period announces a competing public offer which is at least 5 percent more favorable to the shareholders of Rottneros than the Offer and which Arctic Paper does not match within a certain period of time.

Accordingly, shareholders in Rottneros holding in aggregate 43,759,981 shares in Rottneros, corresponding to 28.7 percent of all shares and votes in Rottneros, have undertaken to accept the Offer.

Extraordinary general meeting in Arctic Paper

Arctic Paper has decided to convene an extraordinary general meeting to adopt the resolutions necessary for the delivery of shares in Arctic Paper in connection with the Offer.[4] The general meeting is expected to be held on or around 3 December 2012. Nemus Holding and Accent Equity[5], together representing 79.7 percent of the shares and votes in Arctic Paper, have irrevocably and unconditionally undertaken to vote in favor of the resolutions at the general meeting.

Financing of the Offer

The completion of the Offer is not subject to any financing condition. The Cash Alternative will be financed by Arctic Paper through available funds and existing credit facilities.

Approvals from authorities

The completion of the Offer is conditional upon, inter alia, all necessary approvals or similar from competition authorities being obtained. Arctic Paper expects such necessary approvals to be granted prior to the end of the acceptance period.

Furthermore, the completion of the Offer is conditional upon, inter alia, that the general meeting resolutions necessary for the delivery of Arctic Paper shares in connection with the Offer are registered by the relevant Polish registry court. In Poland, the registration of such corporate resolutions are made with courts and the registration process is a court proceeding. Based on advice given to Arctic Paper, there is some discretion for the registry courts as to whether registration should be granted or not. Accordingly, although Arctic Paper expects the necessary registrations to be completed prior to the expected time for settlement of the Offer, there is a risk that such registrations are delayed or refused due to circumstances which are outside Arctic Paper's control.

[1] Nemus Holding's shares in Arctic Paper are held through Nemus Holding's wholly-owned subsidiary Trebruk.
[2] All calculations of percentage holdings in Rottneros are based on 152,571,925 outstanding shares in Rottneros (i.e. excluding 821,965 own shares held by Rottneros).
[3] All calculations of percentage holdings in Rottneros are based on 152,571,925 outstanding shares in Rottneros (i.e. excluding 821,965 own shares held by Rottneros).
[4] Delivery of shares in Arctic Paper to the shareholders in Rottneros, as consideration in the Offer, will, for practical reasons, be made with shares lent from Nemus Holding. The general meeting in Arctic Paper will resolve to issue warrants to Nemus Holding which entitle to subscription of the corresponding number of new shares in Arctic Paper.
[5] Accent Equity 2003 LP and Accent Equity 2003 KB.

Due Diligence

Arctic Paper has performed a limited due diligence review of confirmatory nature in connection with the preparation of the Offer. Rottneros has informed Arctic Paper that, during this process, no information which has not previously been disclosed, and which could reasonably be expected to affect the price of the shares in Rottneros, has been given to Arctic Paper.

Statement from the Swedish Securities Council

The Swedish Securities Council (Aktiemarknadsnämnden) has in its statement 2012:26 approved the terms of the Cash Alternative. The statement (in Swedish) can be found in its entirety at the Swedish Securities Council's website, www.aktiemarknadsnamnden.se.

Applicable law and disputes

The Offer, as well as the agreements entered into between Arctic Paper and the shareholders in Rottneros as a result of the Offer, shall be governed and construed in accordance with substantive Swedish law. Any dispute regarding the Offer, or which arises in connection therewith, shall be exclusively settled by Swedish courts, and the City Court of Stockholm shall be the court of first instance.

NASDAQ OMX's Rules Regarding Takeover Offers (1 July 2012) (the "Takeover Rules") and the Swedish Securities Council's rulings regarding interpretation and application of the Takeover Rules, including, where applicable, the Swedish Securities Council's interpretation and application of the formerly applicable Rules on Public Offers for the Acquisition of Shares issued by the Swedish Industry and Commerce Stock Exchange Committee, are applicable to the Offer. Furthermore, Arctic Paper has, in accordance with the Swedish Act on Public Takeovers on the Stock Market, on 2 November 2012 contractually undertaken towards NASDAQ OMX to fully comply with said rules and statements and to submit to any sanctions that can be imposed by NASDAQ OMX in event of breach of the Takeover Rules. Arctic Paper has on 7 November 2012 informed the Swedish Financial Supervisory Authority (Finansinspektionen) about the Offer and the above mentioned undertakings towards NASDAQ OMX.

Background and reasons

Substantial operational synergies

The combination of Arctic Paper and Rottneros is expected to lead to cost synergies within purchasing, logistics and overhead. The main purchasing and logistics synergies are expected to be attributable to an increase in Rottneros' supply of pulp to Arctic Paper, reducing the Combined Group's need for external sales and purchases of pulp. The combination also entails lower costs for head offices, certain personnel and costs associated with the parent companies. On the production level synergies are created by e.g. a functional integration of administration, logistics, IT and HR functions between the mills, which are geographically closely located. In total, synergies are estimated to approximately SEK 80 million (PLN 39 million). The synergies are estimated to be fully realized within 12 to 18 months.

Reduced fluctuations and improved balance

The combination creates a natural hedge for the Combined Group against the fluctuations in the pulp price, as an improved balance is created between Rottneros' sales and Arctic Paper's purchases. In 2011, Rottneros produced 324,000 tonnes of different pulp qualities and Arctic Paper's pulp purchases during the same period amounted to approximately 530,000 tonnes of different pulp qualities. In 2011, approximately 7 percent of Arctic Paper's pulp purchases were sourced from Rottneros. An improved balance between sales and purchases of pulp is created although Arctic Paper will continue to source a large part of its pulp supply from other suppliers and hence continue to be exposed to the global market pulp price. The Combined Group will continue to sell the majority of its pulp on the global market, mitigating the effect of higher pulp purchasing costs for Arctic Paper.

The combination will also lead to the Combined Group decreasing its currency exchange exposure against non-European currencies, primarily the USD. The decreased fluctuations related to currency and pulp price also decrease the need of, and cost for, hedging. Consequently, the volatility due to currency and pulp price fluctuations in financial performance is expected to decrease.

Capital markets aspects

The transaction will give Arctic Paper better access to the capital market and the Combined Group will have a higher market capitalization and a larger number of shareholders than Arctic Paper has today. The combined market capitalization of Arctic Paper and Rottneros is approximately SEK 987 million (PLN 476 million).[1] Arctic Paper will apply for listing on NASDAQ OMX, in addition to its primary listing on the WSE. As a result of the Offer, Arctic Paper's free float is expected to significantly increase.

A strengthened financial platform

The Combined Group will have a strong financial position and an optimized capital structure. In addition, the Combined Group will be able to allocate more resources to a larger number of interesting business opportunities. The Combined Group is also expected to record more stable sales revenues and operating profits and realize synergies that will enhance the Combined Group's financial performance.

The board of directors of Rottneros has participated in the establishment of the section "Description of Rottneros" in the Offer Document.

Apart from what is stated above, the management board of Arctic Paper is responsible for the content of the Offer Document. The management board hereby declares that, having taken all reasonable care to ensure that such is the case, the information in the Offer Document is, to the best of the management board's knowledge, in accordance with the facts and contains no omission likely to affect its import.

Poznan, 21 November 2012

Arctic Paper S.A.
Management Board

[1] Based on the closing prices for each of the Arctic Paper share and the Rottneros share, and a SEK/PLN mid exchange rate published by the Swedish Central Bank on 6 November 2012 (the last trading day prior to announcement of the Offer).

Terms and instructions

The Offer

Share Alternative

For each share in Rottneros tendered in the Offer, the shareholder will receive 0.1872 shares in Arctic Paper (the "Share Alternative").

Only whole shares in Arctic Paper will be delivered to Rottneros shareholders who accept the Share Alternative. Fractions of shares will be combined and sold on NASDAQ OMX on behalf of the Rottneros shareholders concerned, and the average net proceeds will thereafter be distributed among such shareholders in relation to the size of each shareholder's fraction of an Arctic Paper share.

Cash Alternative

As an alternative to the Share Alternative, shareholders who as of 2 November 2012 as well as at the time of the completion of the Offer own up to and including 2,000 shares in Rottneros can choose to receive a consideration of SEK 2.30 in cash for each share in Rottneros tendered in the Offer (the "Cash Alternative").

The Cash Alternative is offered only to shareholders in Rottneros who own up to and including 2,000 shares as of 2 November 2012 (being the most recent time prior to announcement of the Offer for which Arctic Paper has access to complete ownership information from Euroclear) as well as at the time of the completion of the Offer, provided that the shares of such shareholders are directly registered or registered in the name of an authorized nominee pursuant to the Swedish Act (1998:1479) on Record-Keeping of Financial Instruments. Shareholders in Rottneros who hold shares through other nominees or custodians are offered only the Share Alternative. Accordingly, for example, a shareholder in Rottneros who holds shares through a deposit bank or other agent, that appears to be a nominee registered shareholder in Euroclear's VPC system, is offered only the Share Alternative (and not the Cash Alternative).

Offer consideration adjustment, etc.

The offer consideration under the Share Alternative and the Cash Alternative will be adjusted should Rottneros, prior to the settlement of the Offer, distribute a dividend or in any other way distribute or transfer funds to its shareholders.

No commission will be charged in connection with the Offer.

Conditions for completion of the Offer

The completion of the Offer is conditional upon:

1) the Offer being accepted to such extent that Arctic Paper becomes the owner of shares representing more than 90 percent of the total number of outstanding shares in Rottneros on a non-diluted basis as well as on a fully diluted basis;
2) the resolutions necessary for the delivery of Arctic Paper shares in connection with the Offer being (a) adopted by Arctic Paper's general meeting and (b) registered by the relevant registry court;
3) with respect to the Offer and completion of the acquisition of Rottneros, all necessary clearances, approvals, decisions and other actions from authorities or similar, including approvals from competition authorities, being obtained, in each case on terms which, in Arctic Paper's opinion, are acceptable;
4) no other party announcing an offer to acquire shares in Rottneros on terms that are more favorable to the shareholders of Rottneros than the Offer;
5) neither the Offer nor the acquisition of Rottneros being rendered wholly or partially impossible or significantly impeded as a result of legislation or other regulation, any decision of court or public authority, or any similar circumstance, which is actual or can reasonably be anticipated, and which Arctic Paper could not reasonably have foreseen at the time of announcement of the Offer;
6) no circumstances, which Arctic Paper did not have knowledge of at the time of announcement of the Offer, having occurred that have or can be expected to have a material adverse effect upon Rottneros' sales, profit, liquidity, equity or assets;
7) no information made public by Rottneros being materially inaccurate, incomplete or misleading, and Rottneros having made public all information which should have been made public by it; and
8) Rottneros not taking any measures that are likely to impair the prerequisites for making or implementing the Offer.

Arctic Paper reserves the right to withdraw the Offer in the event that it is clear that any of the above conditions are not satisfied or cannot be satisfied. However, with regard to conditions 2–8, the Offer may only be withdrawn provided that the non-satisfaction of such condition is of material importance to Arctic Paper's acquisition of Rottneros or if otherwise approved by the Swedish Securities Council. Furthermore, with regard to condition 2(b), the Offer may only be withdrawn provided that the non-satisfaction of such condition is outside Arctic Paper's control.

Arctic Paper reserves the right to waive, in whole or in part, one or several of the conditions set out above, including, with respect to condition 1, to complete the Offer at a lower level of acceptance.

Offer Document and acceptance forms

The Offer Document, pre-printed acceptance form and return envelope are distributed to all directly registered Rottneros shareholders as of 19 November 2012.

A printed version of the Offer Document can be obtained from Arctic Paper and Skandinaviska Enskilda Banken AB, see below for contact details. The Offer Document and blank acceptance forms can also be downloaded in electronic form from Arctic Paper's website www.arcticpaper.com and from SEB's website www.sebgroup.com/prospectuses.

Instructions for acceptance of the Offer

Directly registered holdings

Shareholders in Rottneros whose shares are directly registered with Euroclear and who wish to accept the Offer should, during the period from 22 November 2012 to 12 December 2012, sign and deliver a correctly completed acceptance form in accordance with the determined form to:

SEB
Emissioner R B6
106 40 Stockholm
Sweden

The acceptance form must be delivered or mailed in the attached return envelope well in advance of the last day of acceptance in order to be received by SEB Emissioner ("SEB") at the latest 12 December 2012. The acceptance form can also be submitted to bank offices or other securities institutions in Sweden, for forwarding to SEB.

Securities accounts and current holdings are presented in the pre-printed acceptance form which has been sent out together with the Offer Document. The holders should check that the pre-printed information on the acceptance form is correct. Additional acceptance forms are distributed by SEB on request in accordance with the contact information below.

Note that incorrect or non-complete acceptance forms may be disregarded. No changes may be made to the text on the pre-printed acceptance forms.

It is not possible for a shareholder to choose both the Share Alternative and the Cash Alternative. If it is not clear on the acceptance form if the Share Alternative or the Cash Alternative has been chosen, the shareholder is deemed to have chosen the Share Alternative. Should a shareholder chose the Cash Alternative without being entitled thereto, the shareholder will be deemed to have chosen the Share Alternative.

Nominee registered holdings

Shareholders in Rottneros, whose shares are registered with a nominee such as a bank or other entity, will not receive the Offer Document or the pre-printed acceptance form. Acceptance of the Offer shall instead be done in accordance with instructions from the nominee.

Pledged holdings

In case shares in Rottneros are pledged in the Euroclear system, both the holder and the pledgee must sign the acceptance form and confirm that the pledge is terminated if the Offer is completed. The pledge should thus have been de-registered in the Euroclear system when the shares in Rottneros are to be delivered to Arctic Paper.

Confirmation of acceptance

After SEB has received and registered a duly completed acceptance form, the shares in Rottneros will be transferred to a new and blocked securities account (Sw: apportkonto), which has been opened for each holder. In connection to this, Euroclear will send out a securities account notification showing the number of shares in Rottneros that have been withdrawn from the original securities account, as well as a securities account notification showing the number of shares in Rottneros that have been registered on the newly opened blocked securities account.

Right to withdraw acceptance

Shareholders in Rottneros have the right to withdraw given acceptances of the Offer. The withdrawal of acceptance must have been received by SEB on the address provided above before Arctic Paper has announced that all terms in the Offer have been fulfilled, or, if such announcement is not given during the acceptance period, at latest at 24:00 (CET) on the last day of the acceptance period.

Owners whose holdings are registered with a nominee and who wishes to withdraw given acceptance should do this in accordance with instructions from the nominee. Owners who wish to do so must contact their nominee in due time so that withdrawal can be performed as described above.

If any of the conditions of the Offer that Arctic Paper has reserved the right to dispose over at any extension of the acceptance period, the right to withdraw given acceptances will apply in the same manner during such extension.

Settlement

Settlement of consideration will begin as soon as possible after Arctic Paper has announced that the conditions of the Offer have been fulfilled, or otherwise has announced a decision to complete the Offer. Provided that such announcement is given on 14 December 2012 at the latest, settlement is expected to commence on or around 20 December 2012. Settlement of consideration is performed by sending a contract note to the persons who have accepted the Offer. If the holding is registered with a nominee, settlement is made through the nominee.

The shares in Arctic Paper will be delivered to the securities account indicated on the acceptance form. In connection with this, the shareholders will receive a securities account notification which reports the registration of the new shares on the original securities account. No securities account notification indicating the transfer of the Rottneros shares from the blocked account will be sent. If the holding is registered with a nominee, the delivery will be made to the nominee. Settlement of potential proceeds of the sale of excess fractions of shares in Arctic Paper will be performed in the manner described below.

Payment in the Cash Alternative is made to the account tied to the securities account in which the shares in Rottneros were registered. Should such account be missing, the consideration will be paid according to the instructions on the contract note. If the holding in Rottneros is registered with a nominee, payment is made via the respective nominee.

By accepting the Offer, the holder authorizes SEB to acquire Arctic Paper shares on their behalf, and to deliver shares in Rottneros to Arctic Paper in accordance with the Offer.

Fractions of shares etc.

The Share Alternative can be accepted for each shareholder's entire holding of shares in Rottneros, even if the shares do not correspond to a whole number of shares in Arctic Paper.

Only whole shares in Arctic Paper will be delivered to shareholders in Rottneros who accept the Share Alternative. If a shareholder in Rottneros obtains a fraction of a share in Arctic Paper, the fraction which has been obtained, after aggregation with other such excess fractions, will be sold by SEB on NASDAQ OMX on behalf of the shareholder. The proceeds of the sale will be distributed to the shareholders in question, or their nominees, around 28 December 2012, and each such owner will obtain their relative share of the total proceeds of the sale. There will be no commission fee for the sale.

By accepting the Share Alternative, the shareholder in Rottneros authorizes SEB to make such sale.

Right to extension of the Offer

Arctic Paper reserves the right to extend the acceptance period for the Offer, and in connection to this also stipulate that the above mentioned conditions of the Offer, wholly or in part, will be valid during such an extension of the acceptance period. Arctic Paper also reserves the right to postpone the time of the settlement of consideration in relation to the Offer.

Trading of shares in Arctic Paper

Arctic Paper's shares are intended to be traded also on NASDAQ OMX. Trading of the shares delivered as consideration in the Offer is expected to commence on NASDAQ OMX on or around 20 December 2012, in connection with settlement of the consideration. The ISIN code for Arctic Paper's shares is PLARTPR00012.

Right to dividend

The shares in Arctic Paper delivered as consideration in the Offer will entitle the holder to any dividends resolved upon after delivery.

Compulsory acquisition and delisting

In the event that Arctic Paper, in connection with the Offer or in any other way, becomes the holder of more than 90 percent of the outstanding shares in Rottneros, Arctic Paper intends to call for compulsory acquisition in accordance with the Swedish Companies Act (Sw: *aktiebolagslagen* (2005:551)) in order to acquire all the outstanding shares and warrants in Rottneros. In connection thereto, Arctic Paper also intends to promote the delisting of the shares in Rottneros from NASDAQ OMX.

Questions regarding the Offer

For any questions regarding the Offer, please contact SEB on telephone number +46 8 639 27 50. Information and acceptance forms are available on Arctic Paper's website at www.arcticpaper.com and on SEB's website at www.sebgroup.com/prospectuses.

Recommendation from the board of directors of Rottneros

Rottneros

PRESS RELEASE

Rottneros AB (publ)
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Statement by the Board of Directors of Rottneros AB (publ) in relation to Arctic Paper S.A.'s public takeover offer

The Board of Directors of Rottneros unanimously recommends the shareholders to accept the offer from Arctic Paper

Background

This statement is made by the Board of Directors of Rottneros AB (publ) ("Rottneros" or the "Company") pursuant to the rules concerning public takeover offers on the stock market adopted by NASDAQ OMX Stockholm (the "Takeover Rules").

Arctic Paper S.A. ("Arctic Paper") has today, on 7 November 2012, announced a public offer to the shareholders in Rottneros to transfer all of their shares in Rottneros to Arctic Paper (the "Offer").

Arctic Paper offers 0.1872 newly issued Arctic Paper shares for each Rottneros share. The Offer values each Rottneros share to SEK 2.30 per share[1] based on Arctic Paper's closing price on 6 November 2012, the last trading day prior to the announcement of the Offer.

In addition, Arctic Paper offers shareholders who as per 2 November 2012 held 2,000 shares or less in Rottneros a cash consideration of SEK 2.30 per share in Rottneros (the "Cash Offer"). For detailed terms and conditions regarding the Cash Offer, reference is made to Arctic Paper's press release.

Arctic Paper is listed on the Warsaw Stock Exchange but will in relation to the Offer apply for a secondary listing on NASDAQ OMX Stockholm.

The Offer represents a premium of:

- 14.4 per cent compared to the last quoted price prior to the trading halt on 6 November 2012, of SEK 2.01 for the Rottneros share, the last trading day prior to the announcement of the Offer;
- 26.2 per cent compared to the volume weighted average price of SEK 1.82 for the Rottneros share during the last 30 calendar days up to and including 6 November 2012; and
- 27.3 per cent compared to the volume weighted average price of SEK 1.81 for the Rottneros share during the last 90 calendar days up to and including 6 November 2012.

[1] Based on a PLN/SEK exchange rate of 2.0749 per 6 November 2012, the last trading day prior to the announcement of the Offer.

Rottneros

The Offer values Rottneros at approximately SEK 351 million, based on 152,571,925 outstanding shares in Rottneros.

According to the preliminary timetable included in the press release in which the Offer was made public, the acceptance period is expected to run from around 22 November 2012 to around 12 December 2012.

Based on all shareholders in Rottneros accepting the Offer and no shareholders choosing to accept the Cash Offer, Rottneros shareholders will own 34 per cent of the shares in Arctic Paper after completion of the Offer.

Arctic Paper has for a longer period of time held discussions with the Board of Directors of Rottneros (the "Board") regarding a combination of the two companies. As part of this process, the Board has engaged Lenner & Partners as financial advisors and Setterwalls as legal advisors.

The Board has, upon request by Arctic Paper, allowed Arctic Paper to conduct a limited confirmatory due diligence in connection with the preparations of the announcement of the Offer. Arctic Paper has not received any non-public price-sensitive information regarding Rottneros.

Rottneros has conducted a limited confirmatory due diligence regarding Arctic Paper and Arctic Paper has informed Rottneros that no non-public price-sensitive information has been disclosed regarding Arctic Paper.

The Board's Considerations

During 2008 and 2009 Rottneros went through an operational restructuring where the number of pulp mills was reduced from five to two. During 2009, a financial restructuring was performed in which the Company's debt was reduced to zero. The ambition was to mitigate the Company's high operational risk with a low financial risk and establish the preconditions for making necessary investments in the Vallvik Mill, and also to re-introduce dividends. The production capacity in the Vallvik Mill has since been expanded and dividends to shareholders have been re-introduced. The financial position is still sound, though Rottneros remains a rather small company with a market capitalization of approximately SEK 300 million and net turnover of approximately SEK 1.5 billion. The Board has assessed several possible merger and acquisition opportunities during the last couple of years.

Considering the factors each shareholder has to take into account prior to their decision to accept, or not to accept, the Offer, the Board of Directors of Rottneros wish to make the following concluding comments:

- A merger will result in both shareholder groups gaining the benefits of a significant reduction in the volatility of earnings and cash flows with ensuing lower operating risk. Over time, this should entail a lower cost of financing and a higher valuation of the shares.
- The yearly synergies are estimated to be approximately SEK 80 million before tax and the costs to achieve these are rather limited. The estimated synergies are significant in relation to both companies' current earnings. All things equal, this will substantially strengthen the new group's future capacity for investments and dividends.
- The Offer to Rottneros shareholders implies a not insignificant premium compared to the current share price, but most of all the Offer implies that Rottneros shareholders will own 34 per cent of the new group and through that will have a share in the value of the synergies described above.
- For Rottneros shareholders the Offer represents an upstream integration in the value chain through them becoming owners of Arctic Paper's current operations in fine graphic paper. In the view of the Board, this represents both a risk and an opportunity. It is a risk

Rottneros

because the market for fine graphic paper is under a lot of pressure with limited or even declining growth. But it also means an opportunity to take part in developing one of Europe's leading players in its field with a focus on bulky book paper and other paper products in the premium segment and with a presence in the growing Eastern European market.

For further information about the Offer, reference is made to Arctic Paper's press release which was made public earlier today, and can be found at www.arcticpaper.com.

The Board's Recommendation

Arctic Paper has for a longer period of time shown interest in a merger between Rottneros and Arctic Paper. The Board has been positive to the proposal as in the Board's view – given the right terms and conditions – it provides the right preconditions to create value for Rottneros' shareholders and that it will be to the benefit of employees.

The discussions that have taken place with Arctic Paper have resulted in the offer Arctic Paper is announcing today to the shareholders of Rottneros, which the Board is presenting to Rottneros' shareholders for their final decision.

The Board requests shareholders to carefully read the press release that Arctic Paper has made public today, as well as the Offer Document that Arctic Paper will make public on or around 21 November 2012, in advance of making their final decision.

The Board has considered what is in the best interest of all shareholders with respect to the Offer consideration, the current position of Rottneros, the future development of the Company and the associated possibilities and risks. As the consideration comprises shares in Arctic Paper, the prospects for the combined company have been evaluated in particular.

As part of this evaluation, the Board has in particular taken into account:

- The premium the Offer implies for Rottneros' shareholders;
- That Arctic Paper is controlled by a shareholder holding 75 per cent of the shares, who is also the largest shareholder in Rottneros with a 20 per cent stake;
- That Arctic Paper is a Polish company with a primary listing in Poland, but that Arctic Paper will have a secondary listing in Stockholm;
- That the liquidity in the Arctic Paper share is rather limited at present;
- The possibilities of realizing the estimated synergies; and
- That Rottneros' shareholders with 2,000 shares or less are offered a choice of receiving a cash consideration.

Based on the information that Rottneros has received from Arctic Paper and the information that has been included in Arctic Paper's press release, the Board is of the opinion that the Offer will not involve any material changes to the future operations nor for the overall strategy of Rottneros' production units, and that it will not involve any major changes for employees (including terms of employment). However, some administrative functions in these units may be coordinated with Arctic Paper's units in Sweden. The operations at Rottneros' head office will be coordinated with Arctic Paper's units in Sweden and its head office in Poland, which will result in some limited redundancies.

The Board has been informed that Arctic Paper intends to offer certain individuals in the Rottneros management team an incentive arrangement, providing the Offer is completed. The payment is conditional upon the active participation of these key individuals in forming the new group and that they have not terminated their employment before 30 June 2013 and 31 December 2013, respectively. The incentive arrangement for all entitled employees amounts to a maximum of SEK 1.2 million in aggregate. The Board is of the opinion that the management incentive arrangement

Rottneros

would be beneficial in relation to the shareholders' interests and has thus approved Arctic Paper's arrangement as well as its intention to offer this arrangement.

As part of the Board's evaluation of the Offer and its recommendation, the Board has taken into account a fairness opinion from KPMG AB ("KPMG"). Rottneros engaged KPMG as an independent advisor to issue a fairness opinion on whether the Offer is deemed fair from a financial perspective. The Board has taken part of KPMG's evaluation and its underlying materials.

KPMG has in its assignment, amongst other things, taken into consideration internal information from the management of both Arctic Paper and Rottneros concerning business descriptions, historical financial results, financial budgets and projections and other documentation. KPMG has also conducted interviews with the respective management teams of Arctic Paper and Rottneros and with the Chairman of the Board of Rottneros. KPMG has also conducted analyses of public information including competitors' annual reports and general industry reports.

KPMG's fairness opinion is attached to this press release and will also be published in the Offer Document.

KPMG's opinion is that the Offer is to be considered fair for Rottneros' shareholders from a financial perspective.

In conclusion, and based on the above, the Board of Directors of Rottneros unanimously recommends the shareholders of Rottneros to accept the Offer.

The Board of Directors of Rottneros AB (publ)

Rottneros discloses the information provided herein pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act. The Information was submitted for publication on Wednesday 7 November 2012 at 08.30 CET.

NB. In case of any discrepancy between the English and Swedish language versions, the Swedish language version shall prevail.

Rottneros is an independent producer of market pulp. The Group comprises the parent company Rottneros AB, listed on NASDAQ OMX Stockholm, and its subsidiaries Rottneros Bruk AB and Vallviks Bruk AB with operations involving the production and sale of market pulp. The Group also includes the wood procurement company Rottneros Baltic SIA in Latvia. The Group has around 298 employees and had a turnover of approximately SEK 1.5 billion in the 2011 financial year.

Fairness opinion from KPMG

KPMG

November 4, 2012

To
The Board of Directors of Rottneros AB (publ)

Fairness opinion regarding the potential takeover bid from Arctic Paper S.A.

KPMG Corporate Finance, a business unit within KPMG, has been retained by the Directors of the Board of Rottneros AB (publ) (”Rottneros” or the “Company”) to opine on the fairness of the proposed acquisition of Rottneros by Arctic Paper S.A. (”Arctic Paper”).

In the proposed transaction presented to KPMG, Arctic Paper will acquire 100 percent of the outstanding shares in Rottneros (the “Transaction”). The consideration to be received by Rottneros shareholders is 0.1872 Arctic Paper shares for every Rottneros share. The purchase consideration will constitute newly issued shares in Arctic Paper common stock so, that after the Transaction, Rottneros’ shareholders will own approximately 34 percent of the combined entity. Shareholders with less than 2 000 shares will be offered a cash alternative as well as the opportunity to exchange their shares i Rottneros for shares in Arctic Paper.

We understand that the majority shareholder of Arctic Paper also holds approximately 20 percent of the shares in Rottneros.

We have not been requested to, and did not, solicit third party indications of interest in acquiring all or any part of the Company. Furthermore, at your request, we have not negotiated the Transaction or advised you with respect to alternatives to it.

In connection with this opinion, we have made such reviews, analyses and inquiries as we have deemed necessary and appropriate under the circumstances. Among other things, we have:

- Reviewed internal information from the Management of Rottneros and Arctic Paper on: business descriptions, historical financials, budgets and forecasts, and documentation prior to the proposed transaction;
- Held interviews with senior management in Rottneros and Arctic Paper and with the Chairman of the Board in Rottneros;
- Reviewed the documentation from PwC’s confirmatory limited financial due diligence (that excludes a review of quality of earnings) and Setterwalls’ legal due diligence as of July 2011. Based on our understanding management and the Company’s auditor have conducted a limited update to due diligence process in October 2012, however, no formal updates have been prepared by PwC or Setterwalls;

KPMG

November 4, 2012

- Reviewed the documentation from the Company's internally performed environmental due diligence (excluding drill samples); and
- Reviewed publicly available information including competitors annual reports, and general industry reports.

We have relied upon and assumed, without independent verification, the accuracy and completeness of the information presented and that upon which the presentation is based, including that available from public sources. Consequently, we take no responsibility for errors or omissions in information which has been presented to us or implications such errors or omissions would have on our conclusions.

Our opinion is necessarily based on business, economic, market and other conditions as they exist and can be evaluated by us at the date of this letter. Furthermore, we assume that Arctic Paper is a going concern that will be successful in refinancing its debt before February 2013.

This fairness opinion from KPMG is only intended to serve as described in the context above, and may not be used for any other purpose without the written approval of KPMG Corporate Finance.

Based upon the foregoing, and in reliance thereon, it is our opinion that the consideration of 0.1872 Arctic Paper shares for every Rottneros share to be paid by Arctic Paper in connection with the Transaction is fair to the public shareholders of Rottneros from a financial point of view.

Stockholm November 4, 2012

KPMG Corporate Finance

Björn Hallin	Martin Ericsson
Partner	*Director*

The Combined Group

The following is a brief description of the Combined Group. The name of the Combined Group will remain Arctic Paper and the parent company of the group will be Arctic Paper S.A. based in Poznan, Poland. Rottneros is engaged in the production and sale of pulp and Arctic Paper in fine paper manufacturing and sale.

Business overview

Arctic Paper in brief

Arctic Paper has its roots in the Swedish Trebruk group, established in 1990 with Munkedals as one of the mills. Over time, Arctic Paper has expanded geographically to become the second-largest European producer of bulky book paper and one of Europe's leading producers of fine graphic paper. Arctic Paper is a major purchaser of paper pulp, from which it produces numerous types of paper for printing houses, paper distributors, book and magazine publishing houses and the advertising industry.

The group's paper mills are located in Sweden (Grycksbo and Munkedal), Poland (Kostrzyn nad Odra) and Germany (Mochenwangen) with a total annual production capacity of more than 800,000 tonnes of paper. Through fifteen wholly-owned sales and distribution companies, Arctic Paper has access to all European markets. In 2011, Arctic Paper employed close to 1,600 people and the consolidated sales revenue amounted to PLN 2,527 million (SEK 5,552 million). Arctic Paper is listed on the WSE since 2009.

For more information about current Arctic Paper see the section "Description of Arctic Paper".

Rottneros in brief

Rottneros is an independent producer of high quality, customized paper pulp for the open market. It is well renowned for its ability to continuously adapt to meet increasing customer expectations by developing its products and maintaining high levels of delivery reliability, technical support and service.

Rottneros operates two pulp mills in Sweden, with a total annual production capacity of approximately 400,000 tonnes. In 2011, Rottneros employed around 300 people and the consolidated sales revenue amounted to SEK 1,513 million (PLN 689 million). Rottneros is listed on NASDAQ OMX since 1987.

For more information about current Rottneros see the section "Description of Rottneros".

The Combined Group

The Combined Group will be the second largest European producer of bulky book paper and one of Europe's leading manufacturers of high-quality graphic fine paper. In addition, the Combined Group will remain a significant supplier of market pulp. The Combined Group will have a good balance between production and consumption of pulp and thus less volatility. The Combined Group will have four fine paper mills and two pulp mills. Arctic Paper's intention and anticipation is that the implementation of the Offer will not have any material effects for Arctic Paper's or Rottneros' business or employees, including employment conditions and employment levels at locations where Arctic Paper or Rottneros currently conduct business.

Business concept and vision

The Combined Group's business concept will be to combine the delivery of fine paper and pulp with state-of-the-art expertise, thereby inspiring and supporting its customers in their business improvement processes. The Combined Group and its clients act in a world that requires adaptability. For this reason, the Combined Group will put great emphasis on creating innovative and customized products. The Combined Group's vision is to be a leading and innovative specialist company, spearheading the development in selected niches based on knowledge and expertise.

Goals and strategy

The Combined Group has a number of overall objectives intended to provide competitive returns for shareholders through value growth and direct yield. The ambition is that the Combined Group, over time, will create conditions for decreased earnings volatility over a business cycle by targeting the increasingly specialized fine paper and pulp grades. The Combined Group will offer specialized fine paper and pulp grades and sell the products directly to the customer, in order to create a permanently higher profitability.

Arctic Paper's strategy is to continue to be a fine paper producer and to maintain its leading position as a European book paper supplier. The graphic paper market is mature. Some paper grades, like newsprint and magazine paper, show declining trends. However, the fine paper market is essentially stable. The small decline in Western Europe is offset by increased demand in Central and Eastern Europe – markets where Arctic Paper is already well-known and strong.

Although the market, as a whole, appears to be mature and stable, there are significant underlying trends affecting the customer needs in its sub-segments, including changing printing technology, marketing and advertising trends as well as Arctic Paper's customers' strong desire to differentiate their output regardless whether this concerns books, promotional material, instruction manuals or high quality packaging. The Combined Group's strategy is to actively monitor these changes and deliver attractive and unique products adapted to customer demand. It is, therefore, natural for Arctic Paper to have a strategy to develop paper for applications outside traditional graphic fine paper, especially packaging grades within the premium segment and technical paper for wood, wallpaper and construction industry. The current and future products delivered from Rottneros' two pulp mills will be used as paper pulp for the abovementioned fine paper product lines and as market pulp.

The Combined Group will continue to develop pulp technology and to continue to be an important supplier of pulp to the open market.

The locations of the Arctic Paper mills in Poland and in Germany are beneficial from a logistics cost perspective and provide proximity to key markets. In addition, the operations in Poland are beneficial from a labor cost perspective.

The Combined Group will continue to develop its own energy production, with the aim to become independent of external energy supply. Future internal energy projects are likely to be based on combined heat and power generation. An important measure will be to maximize the use of renewable energy by the use of hydropower and biomass. In this context, Rottneros' biofuel project represents significant experience and value and should therefore be pursued and evaluated further.

Organization

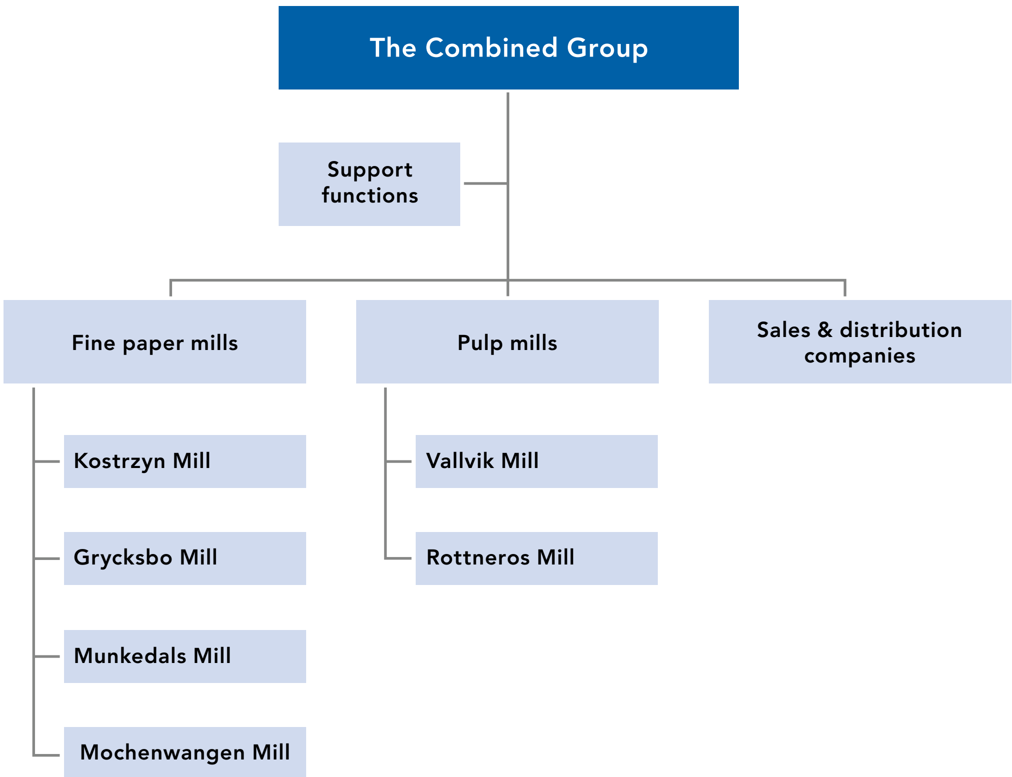
The Combined Group will operate under the name Arctic Paper and with Arctic Paper S.A. as parent company. The Arctic Paper group as well as the Rottneros group currently consists of a parent holding company with mill subsidiaries. The integrated organization in the Combined Group will continue to operate through mill subsidiaries as well as through other units, of which Arctic Paper's sales and marketing organization is the most comprehensive in terms of staffing.

Arctic Paper's supervisory board currently consists of Rolf Olof Grundberg (chairman), Rune Ingvarsson, Thomas Onstad, Fredrik Plyhr, Jan Ohlsson and Mariusz Grendowicz. Rune Ingvarsson, Fredrik Plyhr, Mariusz Grendowicz and Jan Ohlsson, are independent supervisory board members. Arctic Paper intends to promote that two additional independent members of the supervisory board, with experience of Swedish industry and capital markets, are proposed in consultation with representatives of Rottneros' shareholders who accept the Offer and elected as soon as practically possible after the completion of the Offer.

Michal Jarczynski will remain CEO of Arctic Paper. The management board of Arctic Paper will in addition to Michal Jarczynski consist of Michal Bartkowiak as CFO, Wolfgang Lübbert, Jacek Los and Per Skoglund.

Until the completion of the Offer, Rottneros and Arctic Paper will operate as two independent listed companies with their current boards and management teams,

Operational structure



respectively.

A successful integration process is of crucial importance for the achievement of the expected synergies and Arctic Paper expects such process to benefit from the management teams of both companies being fully involved. Arctic Paper's intention is therefore to retain members of Rottneros' current senior management team to benefit from their knowledge and experience. It has so far been decided that the business area managers of Arctic Paper and Rottneros will hold the same positions in the Combined Group and report to the Combined Group management. Furthermore, it has been decided that Tomas Hedström, currently CFO of Rottneros, will be offered the position as Finance Director for the Swedish operations.

Arctic Paper intends to procure that all six members of Rottneros' senior management team are offered to take part in bonus arrangements following, and thus conditional upon, completion of the Offer. The bonus payments are conditional upon the relevant member of Rottneros' senior management actively contributing to the integration of the Combined Group and not terminating his employment prior to 30 June 2013 and 31 December 2013, respectively. In aggregate, the bonus arrangements amount to SEK 1.2 million (PLN 0.58 million). Half of the bonus will be paid after each of 30 June 2013 and 31 December 2013, respectively. The bonus arrangements have been approved by the Board of Directors of Rottneros.

Legal structure

Immediately after the completion of the Offer, Rottneros will be a subsidiary Arctic Paper. Arctic Paper's current legal structure is shown in the section "Description of Arctic Paper". Rottneros' current legal structure is shown in the section "Description of Rottneros".

Synergies

The combination of Arctic Paper and Rottneros is expected to lead to cost synergies within purchasing, logistics and overhead. The main purchasing and logistics synergies are expected to be attributable to an increase in Rottneros' supply of pulp to Arctic Paper, reducing the Combined Group's need for external sales and purchases of pulp. The combination also entails lower costs for head offices, certain personnel and costs associated with the parent companies. On the production level synergies are created by e.g. a functional integration of administration, logistics, IT and HR functions between the mills, which are geographically closely located. In total, synergies are estimated to approximately SEK 80 million (PLN 39 million). The synergies are estimated to be fully realized within 12 to 18 months.

Integration and transaction costs

Integration costs for the transaction are estimated to approximately SEK 18 million (PLN 9 million) during 2012 and 2013, which mainly relates to integration and layoff costs.

Arctic Paper's transaction costs are estimated to approximately SEK 22 million (PLN 11 million). Rottneros has informed Arctic Paper about that their transaction cost is estimated to SEK 11 million (PLN 5 million). In total, the integration and transaction costs are estimated to approximately SEK 51 million (PLN 25 million).

Purchase price allocation

Due to the fact that Rottneros is acquired at a price that is lower than Rottneros' book value of equity the combination may result in a significant gain on a bargain purchase. This gain is initially estimated to be SEK 653 million (PLN 315 million).[1] After completion of the Offer, a closer analysis of acquired net assets will be carried out together with independent valuators, for the purpose of the final allocation of the purchase price. This may result in recognition of assets or liabilities not recognized in the books of Rottneros or write downs of some other assets that may affect the final gain on a bargain purchase.

Share capital and ownership structure etc.

Ownership information below for Rottneros is based on information from Euroclear per 28 September 2012. Arctic Paper only has reliable information about shareholders who have notified Arctic Paper upon reaching 5.0 percent or more of the shares and votes in Arctic Paper. Nemus Holding has notified Arctic Paper about its holding of 74.9 percent of the shares and votes in Arctic Paper.[2] Arctic Paper has no information about other shareholders holding 5.0 percent or more of the total number of shares and votes in Arctic Paper.

The remaining 25.1 percent of the shares and votes in Arctic Paper is believed to be owned mainly by Polish and international institutional and private investors. However, no single investor is believed to hold 5.0 percent or more as that would have triggered disclosure obligations under Polish rules. Accordingly, there is no reliable information about who these owners are. However, based on published information, it has been possible to establish that Arctic Paper likely has a number of large financial institutions among its owners. In the Polish pension funds disclosure at end of December 2011, the following institutions were indicated as shareholders (with corresponding percentage of capital and votes): ING (3.6 percent), Generali (3.5 percent), Nordea (1.8 percent), Axa (1.0 percent), PZU (0.8 percent), Aegon (0.4 percent), Amplico (0.3 percent) and Pocztylion (0.2 percent). Accordingly, in total 11.7 percent of the shares and votes in Arctic Paper were owned by these pension funds at the end of December 2011. Furthermore, Accent Equity has separately informed Arctic Paper that it holds 4.8 percent of the shares and votes in Arctic Paper. Arctic Paper also has Polish private shareholders, including employees such as Arctic Paper's CEO.

Assuming full acceptance of the Offer and that no eligible shareholders in Rottneros choose to accept the Cash Alternative, 28,561,464 new shares in Arctic Paper will be issued in connection with the Offer, correspond-

[1] Based on the closing price for the Arctic Paper share, and a SEK/PLN mid exchange rate published by the Swedish Central Bank on 6 November 2012 (the last trading day prior to the announcement of the Offer).
[2] Nemus Holding's shares in Arctic Paper are held through Nemus Holding's wholly-owned subsidiary Trebruk.

ing to 34.0 percent of the shares and votes in Arctic Paper after completion of the Offer. Pro forma ownership in Arctic Paper after completion of the Offer is presented below, based on such assumptions.

Shareholders with significant influence

Thomas Onstad is today (via wholly owned companies) the main shareholder of both Arctic Paper and Rottneros with approximately 74.9 percent of the capital and votes in Arctic Paper and 20.2 percent of the capital and votes in Rottneros. Thomas Onstad is also a member of Arctic Paper's supervisory board. Following completion of the Offer Thomas Onstad via companies will hold approximately 56.3 percent of the Combined Group's capital and votes if all shareholders in Rottneros accept the Offer and none of the eligible shareholders choose to accept the Cash Alternative. Thomas Onstad will continue to be a supervisory board member of the Combined Group. This means that Thomas Onstad after the Offer will be able to exercise significant influence over the Combined Group and the general meetings of the Combined Group. Besides Thomas Onstad, via companies, and as far Arctic Paper is aware, there is no single owner that will have a significant influence over the Combined Group.

Listing

The shares in Arctic Paper are listed on WSE (ticker: ATC). In addition to the primary listing on WSE, the shares in Arctic Paper are intended to be secondary listed on NASDAQ OMX in connection with the settlement of the Offer. NASDAQ OMX has approved Arctic Paper for secondary listing on NASDAQ OMX provided that the exchange's requirement regarding sufficient free float is met. Arctic Paper makes the assessment that the free float requirement will be met in connection with the settlement of the Offer.

Dividend policy

Arctic Paper has a dividend policy stating that the dividend should be corresponding to between 25 and 50 percent of the group's consolidated net profit for the relevant year, unless significant investments are required. Through the acquisition of Rottneros the Combined Group is expected to deliver more stable earnings and when synergies are realized increase the dividend capacity.

Other

For information about Authorization for the management board to issue new shares and warrants issued by Arctic Paper see section "Description of Arctic Paper" – "Share capital and ownership structure etc.".

Supervisory board, management board and auditors

Supervisory board[1]

Arctic Paper's supervisory board currently consists of Rolf Olof Grundberg (as chairman), Rune Ingvarsson, Thomas Onstad, Fredrik Plyhr, Mariusz Grendowicz and Jan Ohlsson. Rune Ingvarsson, Fredrik Plyhr, Mariusz Grendowicz and Jan Ohlsson are independent members of the supervisory board. Arctic Paper intends to promote that two additional independent members of the supervisory board, with experience from Swedish industry and capital market, are proposed in cooperation with representatives of the Rottneros shareholders that accept the Offer, and is elected as soon as possible following the completion of the Offer. The proposal is supported by Nemus Holding who has undertaken to vote in favor of such proposal.

Thus, 6 of 8 proposed supervisory board members will be independent members. The members' independency is judged according to the Code for good practice for companies listed on WSE (Po: *Dobre Praktyki Spółek Notowanych na GPW*), see section "Polish securities market regulations and corporate governance in brief" – "Supervisory board".

The proposed members are set out in the section "Description of Arctic Paper" – "Supervisory board, management board and auditors".

Management board[1]

Michal Jarczynski will remain CEO of Arctic Paper. The

Pro forma ownership for the Combined Group

Shareholder	Shares in Arctic Paper	Shares in Rottneros	Shares in the Combined Group	Percentage of shares/votes in the Combined Group
Nemus Holding AB	41,479,500	30,857,435	47,256,011	56.3%
Accent Equity	2,671,500		2,671,500	3.2%
Skagen Vekst		11,452,911	2,143,984	2.6%
Danske Bank A/S		6,451,273	1,207,678	1.4%
DNB Bank ASA		6,451,273	1,207,678	1.4%
Clearstream Banking SA		5,601,100	1,048,525	1.2%
Robur Försäkring		4,754,414	890,026	1.1%
Aliz Invest AB		4,500,000	842,400	1.0%
JP Morgan Bank		3,802,532	711,833	0.8%
BBVA Ireland P.L.C.		2,323,139	434,891	0.5%
Other current Rottneros shareholders		76,377,848	14,297,938	17.0%
Other current Arctic Paper shareholders	11,252,500		11,252,500	13.4%
Total number of outstanding shares	55,403,500	152,571,925	83,964,964	100.0%

[1] For an overview description of the meaning of supervisory board and management board see the section "Summary of certain Polish corporate governance and securities market regulations".

management board of Arctic Paper will in addition to Michal Jarczynski consist of Michal Bartkowiak as CFO, Wolfgang Lübbert, Jacek Los and Per Skoglund.

The members of the management board are described in the section "Description of Arctic Paper" – "Supervisory board, management board and auditors".

Auditors

Auditor for the Combined Group will remain Ernst & Young and is described in section "Description of Arctic Paper" – "Supervisory board, management board and auditors".

Unaudited financial overview, pro forma, for the Combined Group

Purpose of preparation of Pro Forma Consolidated Financial information

This Pro Forma Consolidated Financial Information has been prepared in relation to making up a significant financial commitment by Arctic Paper to acquire Rottneros which will result in a significant change of assets, liabilities and financial results of Arctic Paper.

This Pro Forma Consolidated Financial Information has been prepared exclusively for illustrative purposes and due to its nature it addresses a hypothetical situation, thus does not represent the Company's actual financial position or results.

The requirement to include pro forma consolidated financial information results from a provisions of Article 4a of the Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements (EU Official Journal L 149 of 30 April 2004), for entities that have made a significant financial commitment.

This Pro Forma Consolidated Financial Information consists of the unaudited pro forma consolidated balance sheet as at 30 September 2012, the unaudited consolidated pro forma income statement for the year ended 31 December 2011 and for the period of 9 months ended 30 September 2012.

Description of the transaction

On 7 November 2012, Arctic Paper announced a recommended public offer to acquire all shares in Rottneros AB.

Nemus Holding, the largest shareholder of both Rottneros and Arctic Paper, supports the combination of Arctic Paper and Rottneros and has unconditionally and irrevocably undertaken to accept the Offer.

Transaction structure and process:

a) The combination is to be carried out by means of a public tender offer from Arctic Paper to all shareholders of Rottneros.
b) Rottneros' shareholders will be offered 0.1872 shares in Arctic Paper in exchange for each share held in Rottneros. Arctic Paper will issue up to 28,561,464 of new shares for all shares in Rottneros. Preceding dividend or any cash alternative is not expected except for shareholders who are holding up to 2,000 shares for whom cash alternative will be possible.
c) In a completed transaction Nemus Holding will have an ownership in the Combined Group of at least 56.3 percent.

Sources of Pro Forma Consolidated Financial Information

Pro Forma Consolidated Financial Information of Arctic Paper Group presented in the Offering Document has been prepared on the basis of:

- Arctic Paper's Historical Consolidated Financial Information for the years ended 31 December 2009, 31 December 2010 and 31 December 2011 included in the Offer Document prepared in accordance with International Financial Reporting Standards ("IFRS") endorsed by the European Union that were subject of an audit by certified auditor, who issued an unqualified opinion dated 5 November 2012;
- Arctic Paper's unaudited Consolidated Interim Report as at 30 September 2012 and for the period of nine months' than ended;
- Rottneros' Annual Report for the year ended 31 December 2011 prepared in accordance with International Financial Reporting Standards endorsed by the European Union that was subject of an audit by certified auditor, who issued an unqualified opinion dated 9 March 2012;
- Rottneros' unaudited Interim Report as at 30 September 2012 and for the period of nine months than ended.

All of the aforementioned financial information has been prepared in accordance with IFRS and IFRS as endorsed by EU.

For the purpose of preparation of this Pro Forma Consolidated Financial Information in Polish currency (PLN) Arctic Paper applied the following exchange rates for translation of the values reported by Rottneros in SEK to PLN:

- an average rate for the year ended 31 December 2011 SEK/PLN - 0.4561
- an average rate for the period of nine months ended 30 September 2012 - SEK/PLN - 0.4820
- rate as at 30 September 2012 - SEK/PLN - 0.4880

Basis of preparation of Pro Forma Consolidated Financial Information

General policies

Pro Forma Consolidated Financial Information has been prepared only for illustration of hypothetical impact of the acquisition of Rottneros on Arctic Paper's consolidated:

- income statement for the year ended 31 December 2011, as if the transaction took place on 1 January 2011 recognizing gain on a bargain purchase estimated based on data as at 30 September 2012 for the purpose of this Pro Forma Consolidated Financial Information;
- income statement for the period of nine months

ended 30 September 2012, as if the transaction took place on 1 January 2012 recognizing gain on a bargain purchase estimated based on data as at 30 September 2012 for the purpose of this Pro Forma Consolidated Financial Information;
- balance sheet as at 30 September 2012, as if the transaction took place on that date.

Pro Forma Consolidated Financial Information has been prepared through:
- adding each position in Historical Consolidated Financial Information of Arctic Paper and the Annual Report of Rottneros (financial information of Rottneros has been adjusted accordingly to accounting policies implemented by Arctic Paper);
- pro forma adjustments presented below.

Accepted estimates and assumptions
This Pro Forma Consolidated Financial Information has been prepared on the basis of the following assumptions:
- for the purposes of preparation of the Pro Forma Consolidated Balance Sheet it was assumed that the value of assets and liabilities of Rottneros' presented in the consolidated balance sheet in the Interim Report as at 30 September 2012 equal their fair values as at that date;
- it was assumed that the fair values of contingent liabilities of Rottneros and its subsidiaries equal zero as at 30 September 2012;
- the fair value of the consideration paid being 28,561,464 of new shares of Arctic Paper issued - was estimated on a basis of market value of one existing Arctic Paper share on 6 November 2012 (the last trading day prior to announcement of the Offer) amounting to PLN 5.92 for one share.
- the value of transaction costs directly attributable to the acquisition (e.g. finance and tax advisory, legal counsel etc.) is estimated as PLN 16 million. There is no cost allocated to the issue of new shares.
- In 2010 Rottneros issued 12 million of subscription warrants, as a part of incentive program for senior executives. It was assumed that a compensation for these warrants amounts zero and therefore these costs are not included in the pro forma calculation.
- It was assumed that all Rottneros' shareholders agree to accept the Offer and none of them use the Cash Alternative, there is no non-controlling interest in Rottneros recognized.

Adjustments introduced for the purpose of preparations of Pro Forma Consolidated Financial Information
For the purpose of preparation of this Pro Forma Consolidated Financial Information the following adjustments were made:

Acquisition of control
For the purpose of preparation of the Pro Forma Consolidated Financial Information an acquisition method specified in provisions of the International Financial Reporting Standard 3 "Business Combinations" has been applied.

In accordance with the principles set out in IFRS 3, acquisition of control of the company is accounted for using the acquisition method. This method is based on the assumption that it is possible to determine the company that will acquire control over another entity.

An acquirer is the entity that as a result of the acquisition:
- possess a majority of the voting rights in the acquired entity, or
- has the ability to govern the financial and operating policies of the aquired entity under a statute or contract, or
- has the ability to appoint or remove a majority of members of the board of directors or equivalent governing body of the entity being aquired, or
- has a majority of votes at meetings of the board of directors or equivalent governing body of an acquiree.

Combination is done by aggregating the individual line items within the assets and liabilities of the acquirer at their book value and the corresponding line items within the assets, liabilities and contingent liabilities of the aquiree at their fair value as at the date of obtaining control. Shareholders' equity of the aquired company is eliminated.

Determination of gain on bargain purchase
In accordance with IFRS 3, gain on a bargain purchase arising from acquisition of control of a subsidiary where control is acquired in a single transaction (one-step gain control) is calculated according to the following formula:

Gain on bargain purchase = fair value of assets, liabilities and contingent liabilities of the aquired company – (purchase price + the value of non-controlling interest).

The purchase price for the purpose of this Pro Forma Consolidated Financial Information has been estimated at PLN 169 million for Rottneros.

Assuming that the acquisition of control takes place on 30 September 2012, a gain on bargain purchase of 100 percent Rottneros was estimated at PLN 321 million.

Accounting for transaction costs
In connection with the acquisition of Rottneros shares the transaction costs incurred are estimated to amount PLN 16 million. These costs consist primarily of tax, legal and transactions advisory costs. The costs are included in the Pro Forma Consolidated Financial Information as Administrative Expenses.

Adjustments to exclude intercompany transactions
For the purposes of the preparation of the Pro Forma Consolidated Financial Information the effects of intercompany transactions between Rottneros and Arctic Paper has been eliminated as follows:
1) Elimination of income and expenses from the sale of products arising from intra-group transactions for pulp sales in the following amount:
   - for the period of 9 months ended 30 September 2012 - PLN 32 million

- for the year ended 31 December 2011 - PLN 54 million

2) Elimination of trade receivables, trade payables in the amount of PLN 6 million arising from intra-group transactions for pulp sales as at 30 September 2012,
3) Elimination of inventory unrealized margin in the amount of PLN 1 million as at 30 September 2012, and PLN 1 million as at 31 December 2011 realized in intra group sales transaction.

Presentation of pulp sales

In the Historical audited Consolidated Financial Information of Arctic Paper and in Arctic Paper's unaudited Consolidated Interim Report as at 30 September 2012 and for the period of nine months' then ended ("Interim Report") revenue realized on sales of pulp is presented in other operating income. For the purpose of the Pro Forma Consolidated Financial Information an amount of PLN 24 million for the period of 9 months ended 30 September 2012 and PLN 31 million for the year ended 31 December 2011 have been presented in a pulp sales line as Revenue from continuing operations. Corresponding adjustment has been done for cost of sold pulp (in the amount of PLN 22 million for the period of 9 months ended 30 September 2012 and PLN 28 million for the year ended 31 December 2011), previously recognized within other operating expenses.
The adjustment relates to the fact that following the acquisition of control in Rottneros sales of pulp will become significant part of operating activity of the Arctic Paper while so far it was treated as non-significant other operating activity.

All aforementioned pro forma adjustments were prepared exclusively for illustrative purposes and the whole Pro Forma Consolidated Financial Information, due to its nature, relates to hypothetical situation, thus none of presented adjustments affects directly future consolidated financial statements of Arctic Paper.

Pro Forma Consolidated income statement for the period of 9 months that ended 30 September 2012

(PLN million)	Arctic Paper	Rottneros	Elimination of intra-group transactions	Transaction Costs	Rottneros Capital elimination	Purchase Price Allocation	Sales of Pulp presentation	Inventory Margin	Total Pro Forma Adjustments	Final Pro Forma
Continuing operations										
Sales of paper	1,986	0								1,986
Sales of services	0	0								0
Sales of pulp	0	534	–32				24	–1	–10	524
Revenues	**1,986**	**534**	**–32**				**24**	**–1**	**–10**	**2,510**
Cost of sales	–1,670	–459	32				–22		10	–2,118
Gross profit (loss) on sales	**316**	**75**	**0**				**2**	**–1**	**1**	**392**
Selling and distribution expenses	–231	–58								–290
Administrative expenses	–54	–26		–16					–16	–96
Other operating income	52	9					–24		–24	37
Other operating expenses	–41	0					22		22	–19
Operating profit / (loss)	**42**	**0**	**0**	**–16**			**0**	**–1**	**–17**	**24**
Finance income	1	8								9
Finance costs	–32	–4								–36
Bargin purchase gains (badwill)	0	0				321			321	321
Profit / (loss) before tax	**10**	**3**	**0**	**–16**		**321**	**0**	**–1**	**304**	**317**
Income tax	6	–5								1
Net profit (loss) for the year from continuing operations	**16**	**–1**	**0**	**–16**		**321**	**0**	**–1**	**304**	**319**
Discontinued operations	0	0								0
Profit (loss) for the period from discontinued operations	0	0								0
Net profit (loss) for the year	**16**	**–1**	**0**	**–16**		**321**	**0**	**–1**	**304**	**319**

Pro Forma Consolidated balance sheet as at 30 September 2012

(PLN million)	Arctic Paper	Rottneros	Elimination of intra-group transactions	Transaction Costs	Rottneros Capital elimination	Purchase Price Allocation	Sales of Pulp presentation	Inventory Margin	Total Pro Forma Adjustments	Final Pro Forma
ASSETS										
Non-current assets										
Property, plant and equipment	927	372							0	1,299
Investment properties	11	0							0	11
Intangible assets	109	2							0	110
Other financial assets	1	0							0	1
Other non-financial assets	2	0							0	2
Deferred tax asset	10	29							0	40
	1,059	**403**							**0**	**1,463**
Current assets										
Inventories	279	108							0	388
Trade and other receivables	318	101	–6						–6	413
Income tax receivables	11	0							0	11
ST Other non-financial assets	8	14							0	21
ST Other financial assets	1	7							0	8
Cash and cash equivalents	135	7							0	142
	752	**238**	**–6**						**–6**	**983**
TOTAL ASSETS	**1,811**	**641**	**–6**						**–6**	**2,446**
EQUITY AND LIABILITIES										
Equity attributable to equity holders of the parent company	0	0								0
Share capital	554	75			–75	285			211	840
Share premium	82	356			–356	–117			–473	–34
Other reserves	121	–40			40				40	121
Foreign currency translation	36	–4			4				4	36
Retained earnings / Accumulated (unabsorbed) losses	–117	103		–16	–103	321			202	187
Non-controlling interest	0	0								0
Total equity	**677**	**490**		**–16**	**–490**	**490**			**–16**	**1,151**
Non-current liabilities										
Interest-bearing loans and borrowings	15 586	970							0	17
Provisions	84 928	54							0	85
Other financial liabilities	43	9							0	52
Deferred tax liabilities	145	0							0	145
Badwill	0	0							0	0
Accruals and deferred income	33	0							0	33
	321	**10**							**0**	**330**
Current liabilities										
ST Interest-bearing loans and borrowings	343	24							0	366
ST Provisions	5	1							0	6
ST Other financial liabilities	52	11							0	63
Trade and other payables	353	49	–6	16		0			10	412
Income tax payable	3	0							0	3
ST Accruals and deferred income	58	56							0	114
	814	**141**	**–6**	**16**		**0**			**10**	**964**
Total liabilities	**1,134**	**151**	**–6**	**16**		**0**			**10**	**1,295**
TOTAL EQUITY AND LIABILITIES	**1,811**	**641**	**–6**	**0**	**–490**	**490**			**–7**	**2,446**

Consolidated income statement for the Year ended 31 December 2011

(PLN million)	Arctic Paper	Rottneros	Elimination of intra-group transactions	Transaction Costs	Rottneros Capital elimination	Purchase Price Allocation	Sales of Pulp presentation	Inventory Margin	Total Pro Forma Adjustments	Final Pro Forma
Continuing operations										
Sales of paper	2,527	0								2,527
Sales of services	0	0								0
Sales of pulp	0	690	–54				31	–1	–25	666
Revenues	**2,527**	**690**	**–54**				**31**	**–1**	**–25**	**3,193**
Cost of sales	–2,173	–609	54				–28		26	–2,756
Gross profit (loss) on sales	**354**	**81**	**0**				**3**	**–1**	**2**	**436**
Selling and distribution expenses	–294	–71							0	–365
Administrative expenses	–72	–57		–16					–16	–144
Other operating income	73	17					–31		–31	59
Other operating expenses	–57	–29					28		28	–59
Operating profit / (loss)	**3**	**–59**	**0**	**–16**			**0**	**–1**	**–17**	**–73**
Finance income	43	7							0	49
Finance costs	–46	–2							0	–48
Bargin purchase gains (badwill)	0	0				321			321	321
Profit / (loss) before tax	**0**	**–55**	**0**	**–16**		**321**	**0**	**–1**	**304**	**249**
Income tax	12	–11							0	1
Net profit (loss) for the period from continuing operations	**12**	**–66**	**0**	**–16**		**321**	**0**	**–1**	**304**	**250**
Discontinued operations		0							0	0
Profit (loss) for the period from discontinued operations	0	0							0	0
Net profit (loss) for the period	**12**	**–66**	**0**	**–16**		**321**	**0**	**–1**	**304**	**250**

Auditors report regarding the pro forma financial information

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Independent Assurance Report on Pro Forma Consolidated Financial Information

To the Supervisory Board of Arctic Paper S.A.

In accordance with EU Regulation No 809/2004, we report on the compilation of the unaudited pro forma consolidated financial information ("Pro Forma Consolidated Financial Information") of Arctic Paper S.A. ("the Company") consisting of the unaudited pro forma consolidated balance sheet of the Company as at 30 September 2012, the unaudited pro forma consolidated income statement of the Company for the period of nine months ended 30 September 2012 and year ended 31 December 2011 and accompanying notes to the unaudited Pro Forma Consolidated Financial Information, which is set out in section "Unaudited financial overview, pro forma, for the Combined Group" in the Offer Document.

The Pro Forma Consolidated Financial Information has been compiled on the basis described in in section "Unaudited financial overview, pro forma, for the Combined Group" – "Basis of preparation of Pro Forma Consolidated Financial information" for illustrative purposes only, to provide information about how the acquisition of Rottneros AB might have affected the unaudited consolidated balance sheet of the Company as at 30 September 2012 and the unaudited consolidated income statement of the Company for the period of nine months ended 30 September 2012 and year ended 31 December 2011. Because of its nature, the Pro Forma Consolidated Financial Information addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results.

Management's responsibility
It is management's responsibility to compile the Pro Forma Consolidated Financial Information in accordance with the requirements of EU Regulation No 809/2004.

Reporting responsibility
It is our responsibility to form an opinion, as required by Annex II item 7 of EU Regulation No 809/2004, as to the proper compilation of the Pro Forma Consolidated Financial Information. The aforementioned opinion does not require an audit of historical unadjusted financial information, the adjustments to conform the accounting policies of Rottneros AB to the accounting policies of the Company, or the assumptions summarized in the accompanying notes.

The historical financial information of Rottneros AB, which reflects total revenues of SEK 1,664 million (converted to PLN 690 million) for the year ended 31 December 2011 used in the compilation of the Pro Forma Financial Information, was audited by other auditors and accordingly we do not accept any responsibility for any historical financial information reported on by other auditors.

The historical financial information of Rottneros AB, which reflects total assets of SEK 1,318 million (converted to PLN 641 million) as of 30 September 2012 and total revenues of SEK 1,115 million (converted to PLN 534 million) for the period of nine months then ended, is unaudited and accordingly we do not accept any responsibility for that information.

The historical financial information of Arctic Paper S.A. Group, which reflects total assets PLN 1,811 million as of 30 September 2012 and total revenues of PLN 1,986 million for the period of nine months then ended, is unaudited and accordingly we do not accept any responsibility for that information.

We are not responsible for updating any reports or opinions previously issued by us for any events that occurred subsequent to the date of our report on the historical financial information used in the compilation of the Pro Forma Consolidated Financial Information.

Work performed
We conducted our work in accordance with International Standard on Assurance Engagements 3000, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information."

We planned and performed our work to obtain reasonable assurance that the Pro Forma Consolidated Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company. Our work primarily consisted of comparing the unadjusted financial information with the source documents as described in Note 3, considering the evidence supporting the adjustments and discussing the Pro Forma Consolidated Financial Information with management of the Company.

Opinion
In our opinion, in all material respects:

a) The Pro Forma Consolidated Financial Information has been properly compiled on the basis stated in section "Unaudited financial overview, pro forma, for the Combined Group" – "Basis of preparation of Pro Forma Consolidated Financial information" in the Offer Document; and
b) That basis is consistent with the accounting policies of the Company.

This report is issued for the sole purpose of the public offering in Sweden and the admission of Arctic Paper shares to NASDAQ OMX and other regulated markets in the European Union or European Economic Area, as approved and notified by NASDAQ OMX. Therefore, this report is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the public offering described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this report in connection with any type of transaction, including the sale of securities other than the offer to the public of the Arctic Paper shares on the NASDAQ OMX and other regulated markets in the European Union or European Economic Area, as approved and notified by NASDAQ OMX.

Ernst & Young Audit sp. z o.o.

Warsaw, 7th November 2012

Description of Arctic Paper

Business overview

Arctic Paper

Arctic Paper has its roots in the Swedish Trebruk group, established in 1990 with Munkedals as one of the mills. Over time, Arctic Paper has expanded geographically to become the second-largest European producer of bulky book paper 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. Arctic Paper has about 1,600 employees in four paper mills and fifteen companies dealing in paper distribution and sales.

Arctic Paper's paper mills are located in Sweden, Poland and Germany with a total annual production capacity of more than 800,000 tonnes of paper. Arctic Paper has three sales and distribution companies handling Scandinavian sales, distribution and marketing, and 12 sales companies providing access to all other European markets, including Central and Eastern Europe.

Scope of the Company's business

The Company conducts its paper production, sales and related activities through its subsidiaries. Arctic Paper's principal subsidiaries involved in paper production are Kostrzyn, Munkedals, Grycksbo and Mochenwangen. The Company distributes and markets its paper products principally through its other subsidiaries. The Company has one branch office established in Sweden. The scope of Company's business is set out in Article 4 of its Articles of Association, see section "Articles of Association".

Business concept and vision

Arctic Paper's business concept is to combine the delivery of fine paper with knowledge that inspires to better business for its customers. Arctic Paper and its clients act in a dynamic market that requires adaptability. For that reason Arctic Paper puts strong focus on creating innovative products so customers can be one step ahead of their competitors. In addition to producing fine paper, Arctic Paper strives constantly to provide knowledge in all aspects of the production process and thus provide a complete solution. Arctic Paper's vision is to be a leading and innovative specialist company, spearheading the development in selected niches based on its knowledge and expertise.

Objectives and strategies

Arctic Paper's strategic priority over the next few years is to maintain the leading position in the field of fine paper intended for Western European markets and take advantage of the expected growth on the paper market in Central and Eastern Europe. Given their size, the Western European markets will remain the strategic target, although the paper market in Central and Eastern Europe is likely to grow faster than in Western Europe. The per capita use of paper in Central and Eastern Europe is presently comparably low, and is expected to rise long-term. Further, printing house production is likely to move into these regions from Western Europe. The key elements of Arctic Paper's strategy are to exploit the competitive edge of having an ideally located and efficient paper mill in Kostrzyn nad Odra (western Poland) and a well-developed sales network in Central and Eastern Europe.

Cost efficiency will remain a key success factor for the business. Therefore, initiatives have been undertaken to:

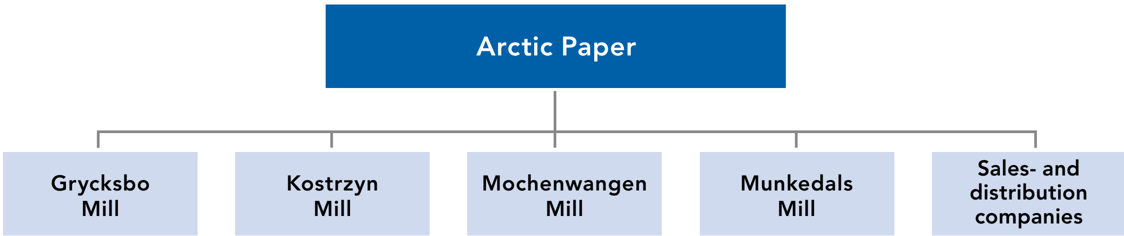
- maximize energy efficiency,
- carefully manage personnel costs,
- take advantage of the group's strong bargaining position to negotiate prices of raw materials,
- maximize the capacity of the production lines and the efficiency of the logistics systems.

Organization

Arctic Paper is registered in Poznan, Poland, where its head office is located. The production of fine paper takes place in the four mills located in Sweden (Grycksbo and Munkedal), Poland (Kostrzyn nad Odra), and Germany (Mochenwangen). Arctic Paper has sales companies in 15 countries: Germany, Austria, Latvia, Italy, Poland, Switzerland, France, Ireland, Spain, Ukraine, the UK and a joint office for the Benelux region in Belgium. In Sweden, Norway and Denmark the companies perform both sales and distribution. The Company has a separate organization for direct sales and distribution in the Scandinavian countries (Sweden, Norway and Denmark), as well as representatives in Finland and Portugal.

The operational and legal structure of Arctic Paper is illustrated in the chart below.

Operational structure



Legal structure

Legal entity	Country	Ownership
Arctic Paper S.A.	Poland	
Arctic Paper Kostrzyn S.A.	Poland	100%
EC Kostrzyn Sp. z o.o.	Poland	100%
Arctic Paper Munkedals AB	Sweden	100%
Arctic Paper Munkedals Kraft AB	Sweden	100%
Kalltorp kraft Handelsbolag	Sweden	50%
Arctic Paper Investment AB	Sweden	100%
Grycksbo Paper Holding AB	Sweden	100%
Arctic Paper Grycksbo AB	Sweden	100%
Arctic Energy Sverige AB	Sweden	100%
Arctic Paper Investment GmbH	Germany	100%
Arctic Paper Verwaltungs GmbH	Germany	100%
Actric Paper Immobilienverwal-tung GmbH Co & KG	Germany	94.90%
Actic Paper Mochenwangen GmbH	Germany	94.90%
Actic Paper Deutschland GmbH	Germany	100%
Arctic Paper France S.A.	France	100%
Arctic Paper Sverige AB	Sweden	100%
Arctic Paper Polska Sp.z o.o	Poland	100%
Arctic Paper Italia Srl	Italy	100%
Arctic Paper UK Ltd	UK	100%
Arctic Paper Norge A.S.	Norway	100%
Arctic Paper Danmark A/S	Denmark	100%
Arctic Paper Espana S.L	Spain	100%
Arctic Paper Papierhandels GmbH	Germany	100%
Arctic Paper Baltic States SIA	Baltic	100%
Arctic Paper Benelux N.V	Belgium	100%
Arctic Paper Schweiz AG	Switzerland	100%
Arctic Paper Ireland Ltd	Ireland	100%
Arctic Paper East Sp. z o.o.	Poland	100%

The ownership percentages above correspond to the percentage of the total votes in each company.

History

The Company's history and significant events in the development of its business activity

Although Arctic Paper is a holding company incorporated in April 2008, and therefore has a limited operating history, the group's paper mills have been operating on the market for decades.

History on group level

In 1740, the paper mill in Grycksbo was established. It is now one of four mills in the Arctic Paper group, together with the Mochenwangen mill (established in 1868), the Munkedals mill (1871) and the Kostrzyn mill (1958). Today's Arctic Paper originates from the Swedish Trebruk group, established in 1990 with Munkedals as one of the mills. Trebruk expanded geographically through the establishment of sales offices all over Europe. In 1993, Arctic Paper acquired the Kostrzyn mill from the Polish State Treasury.

In January 2003, the group changed its name to Arctic Paper.

At the end of 2008 the Company acquired the Mochenwangen mill and took the decision of closing down the mill in Håfreström.

In 2009, Arctic Paper executed a successful IPO (initial public offering) at the WSE.

In 2010, the group acquired the Swedish mill Grycksbo.

History on subsidiary level

Kostrzyn

Kostrzyn and its predecessor companies have carried out manufacturing activity in Kostrzyn nad Odra, Poland, since 1938 when pulp production was commenced. In the late 1960s, the Kostrzyn paper mill introduced its first paper machines. In the 1990s, Kostrzyn was transformed from a state-owned enterprise into a sole-shareholder company of the Polish State Treasury and was finally privatized in 1993 through the sale of a majority stake in its share capital to the Swedish paper group Trebruk. In 1990s, Kostrzyn discontinued pulp production and significantly modernized its paper machines and production technology. In September 2008, the entire share capital of Kostrzyn was sold by Trebruk and Nemus Holding to Arctic Paper. Kostrzyn owns and operates two paper machines, with an aggregate production capacity of approximately 280,000 tonnes of paper per year.

Munkedals

The history of the paper mill in Munkedal goes back to the 19th century. At the beginning of the 20th century the mill switched from manufacturing primarily pulp to manufacturing fine paper. In the 1940s, Haakon Onstad acquired the mill and formed the holding company that later became Trebruk. In September 2008, the shares in Munkedals were sold by Trebruk to Arctic Paper. Currently, the mill owns and operates two paper machines with an aggregate production capacity of approximately

160,000 tonnes of paper per year.

Mochenwangen

The mill in Mochenwangen, located in Baden-Württemberg, Germany was established in 1868.

After having been a family-owned enterprise, the shares in Mochenwangen were sold to Holzstoff AG in 1978. In 1990, Mochenwangen was acquired by the Finnish paper producer Myllykoski, which then sold the shares to Golzern Holding GmbH. On 30 November 2008, Arctic Paper acquired the entire share capital in Mochenwangen from Golzern Holding GmbH. The Mochenwangen mill owns and operates three paper machines with an aggregate production capacity of approximately 115,000 tonnes of paper per year.

Grycksbo

The history of the mill goes back to 1740 when Johan Munktell was granted a royal charter to build a paper mill and started paper production the following year. The first paper machine was installed in 1836. Grycksbo AB was acquired by Stora Kopparberg in 1966 and by Accent Equity in 2006. In March 2010, Arctic Paper acquired Grycksbo Paper AB and Grycksbo became a member of the Arctic Paper group. Currently the Grycksbo mill has three paper machines and an annual production capacity of 265,000 tonnes of paper.

Arctic Paper's units

Kostrzyn Mill

The paper mill in Kostrzyn nad Odra in Western Poland has a production capacity of about 280,000 tonnes per year. The production is focused on uncoated wood-free paper for general printing use, such as printing books, brochures and forms papers, and for making envelopes and other paper products. The mill has approximately 460 employees.

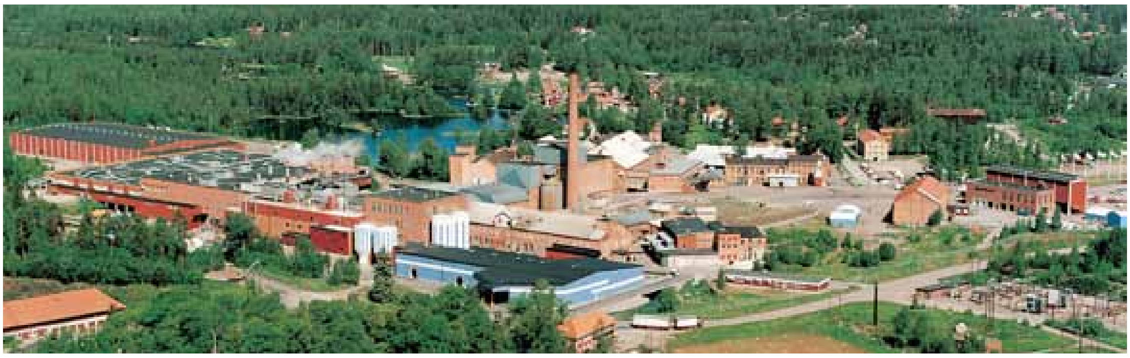
Munkedals Mill

The paper mill in Munkedal, Sweden has a production capacity of about 160,000 tonnes per year. The production is focused on uncoated wood-free paper, used primarily for printing books and high-quality brochures. As a result of significant investments during the last 20 years, the facility is now one of the most environmentally friendly paper mills in the world. The mill has approximately 310 employees.

Mochenwangen Mill

The paper mill in Mochenwangen, Germany has a paper production capacity of about 115,000 tonnes per year and a groundwood pulp production capacity of about 62,000 tonnes, which is used internally on the mill. The production is focused on uncoated wood-containing paper, used primarily for printing books and flyers. The mill has approximately 195 employees.

Grycksbo Mill



The paper mill in Grycksbo, Sweden has a production capacity of about 265,000 tonnes per year and produces coated wood-free paper used for printing maps, books, magazines, posters and print advertising materials. The mill has approximately 420 employees.

Sales companies

In addition to its paper mills, Arctic Paper comprises 15 sales companies marketing and selling the Company's products. In Scandinavia (Sweden, Norway, Denmark) the three sales companies sell and distribute the Company's paper products, as well as a few selected paper products from other paper producers. The other 12 sales companies are located in Germany, Austria, Latvia, Italy, Poland, Switzerland, France, Ireland, Spain, Ukraine, United Kingdom and Belgium and runs the sales activities in the rest of Europe. The office in Austria also handles the sales in central, east and south east Europe. Besides the sales companies the Company has representation offices in Finland and Portugal.

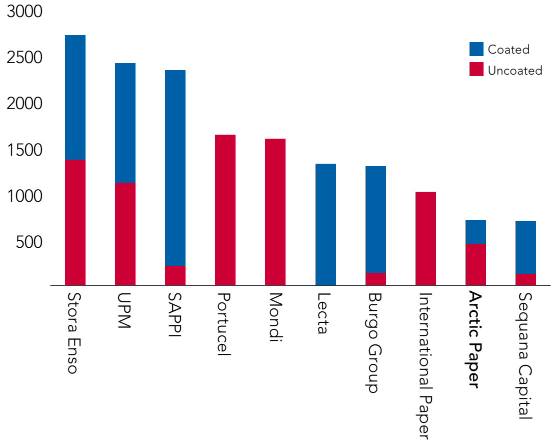
Market overview

The fine paper market

Arctic Paper's paper products are sold in Europe, with an increased focus on fast-growing markets in Central and Eastern Europe. The main driver of demand is increased consumption of printed materials within advertising and marketing as well as increased consumtion of newspapers and books. Demand for uncoated office paper is partly affected by the trend for "paperless offices", but Arctic Paper is not present on this segment. Key success factors on the fine paper market are competitive, high-quality production capacity and excellent customer service. Arctic Paper intends to become the leading fine paper producer in Europe, in selected niches and markets.

The main product areas for Arctic Paper's sales are coated woodfree and uncoated woodfree papers, in folio sheets and reels. The estimated market size in Europe for coated woodfree paper is 5,900,000 tonnes per year and Arctic Paper's sales in coated woodfree paper is 258,000 tonnes per year. For uncoated woodfree paper the European market size is estimated to be 3,100,000 tonnes per year and Arctic Paper's sales of uncoated woodfree paper is 423 000 tonnes per year.[1] Arctic Paper estimates the European market for pure bulky publishing papers (uncoated, monochrome printing) to be 500,000 tonnes per year within the uncoated segment. Arctic Paper's sales to this market exceeds 150,000 tonnes per year.

Production capacity – woodfree finepaper

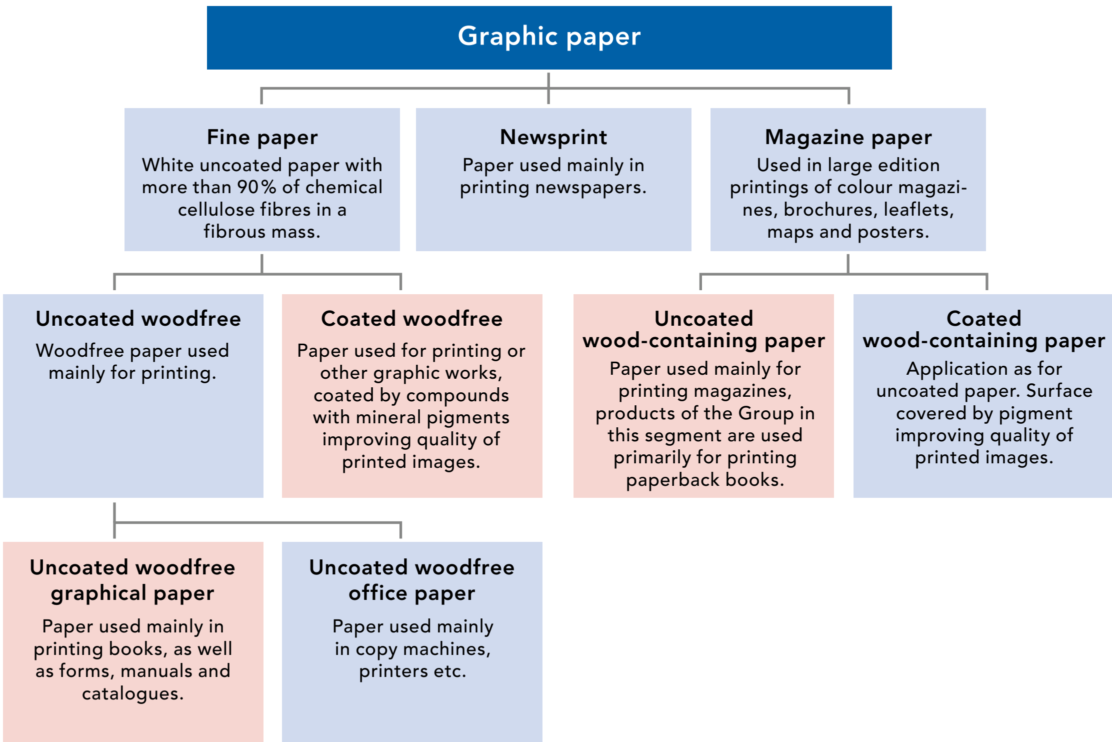


Source: RISI European Graphic Paper Capacity Report 2012

Segments of the graphic paper market

The Company conducts its business in selected segments of the graphic paper market. In line with market practice in Europe, the graphic paper market can be divided into three main categories:

- fine paper
- newsprint
- magazine paper



[1] Source: European market according to EuroGraph September 2012.

Customers

Fine paper

Arctic Paper considers its customer base to include both direct and indirect customers. Direct customers directly purchase the Arctic Paper's products. Indirect customers do not themselves purchase Arctic Paper's products, but are nevertheless an important target of Arctic Paper's marketing efforts, as these indirect customers are generally responsible for recommending or requiring the use of Arctic Paper's products by direct customers. Arctic Paper's direct and indirect customers are discussed in more detail below:

- printing houses – purchase the group's paper products directly;
- wholesale warehouses – customers who purchase the group's paper for resale to other users;
- publishers – direct and indirect customers, who purchase the group's paper directly for use in their publication activities, and also recommend or specify the use of paper to printing houses appointed to publish their books;
- advertising agencies – predominantly indirect customers who do not purchase products directly, but nevertheless are of significant importance in requiring and recommending products to printing houses, especially high-quality paper products used for printing annual reports, leaflets, brochures and packaging;
- end users – direct and indirect customers, using Arctic Paper's products. End users are also of significant importance for recommending products for printing materials such as annual reports, catalogues and advertisements.

Suppliers

Arctic Paper uses the following goods and services in its business:

- paper pulp,
- chemicals,
- energy,
- logistics providers.

Based on the Company's consolidated revenues for 2011, the share of the largest supplier was not more than 10 percent of total sales revenues.

Pulp

The basic raw material used by the Company to produce paper is paper pulp. Except for the paper mill in Mochenwangen, all the Company's paper mills are so called non-integrated producers, i.e. they purchase all their pulp from external producers. The paper mill in Mochenwangen is partly integrated and has an own pulp production capacity of approximately 62,000 tonnes per year, which accounts for about 62 percent of the paper mill's total requirements. The Company purchases pulp on the basis of renewable annual contracts executed under framework agreements or in one-off transactions.

Chemicals

The basic chemicals used in paper manufacturing are fillers (mainly calcium carbonate), coating pigments, starch (corn, potato, tapioca), optical brighting agents and other chemicals.

Energy

Arctic Paper uses heat and power in the production process. The Kostrzyn paper mill's total demand for heat and power is supplied from the mill's combined heat and power plant fuelled by natural gas. Gas is delivered under an agreement with a Polish supplier (PGNiG) at prices adjusted annually to reflect changes in the industry indexes published by the Main Statistics Office (GUS); however, the index formula may be renegotiated if the changes exceed the level set out in the agreement. The gas is mined from gas deposits near Kostrzyn nad Odrą and transmitted to the paper mill through local gas pipes. Electricity for the paper mill in Munkedal is received via own hydropower nearby the paper mill and via external suppliers. Heat is produced with oil or electricity as fuel. The paper mill in Mochenwangen satisfies the total demand for heat and about a half the electricity demand by using black coal. The remaining part of the demand for electricity is satisfied by purchasing from external suppliers. The energy need in Grycksbo is covered by bio mass (wood pellets). All thermal energy and circa 50 percent of the electricity energy are covered by bio mass and remaining electricity is outsourced externally. Arctic Paper also owns and operates three water power stations in western Sweden. Arctic Paper considers that increased electricity production in the Company is a strategically important success factor for the future.

Logistics services

Arctic Paper uses mainly outsourcing services to distribute products from paper mills and warehouses to its customers.

Products

Arctic Paper produces a wide range of uncoated woodfree and uncoated wood-containing papers for paper wholesalers, printing houses and end users in the book publishing, magazine and advertising industries. The range of products also includes woodfree coated papers.

Woodfree paper contains more than 90 percent cellulose with no lignin (lignin is the reason for yellowing over time), and is characterized by high resistance and durability. Paper containing less than 90 percent chemical pulp is classified as wood-containing paper, characterized by high opacity and a more natural texture. More information concerning the Arctic Paper's woodfree and woodcontaining products is set forth below.

Uncoated woodfree paper

The group's uncoated woodfree paper products can be divided into the following groups:

(i) **uncoated woodfree paper** is the primary choice for general print, distributed under the Amber brands. This paper has a grammage range of 60–400 g/m^2, with high dimension stability, high surface strength and is generally used in offset presses. The product has high whiteness with high printability designed for traditional and modern printing technologies. During 2011, the group manufactured approximately 310,000 tonnes, mostly in the Kostrzyn mill. The Amber range includes the following products:

- *Amber Graphic* – a white, uncoated paper used for books, manuals, advertising material, brochures and catalogues in mono or multicolor prints.

- *Amber Volume* – a high white bulky uncoated paper. The surface is especially suited for many kinds of educational publishing applications.
- *Amber Preprint* – a high white, technically advanced uncoated paper, developed for direct mail, forms and advertising material. Its properties make it suitable for use in high speed photocopiers and printers.

(ii) **premium uncoated woodfree paper** is mainly divided into bulky book papers, general print paper and design paper. It is distributed under the Munken brands. All Munken papers are certified by the Forest Stewardship Council (FSC). In 2011, the Company manufactured approximately 110 000 tonnes of this paper, solely at the Munkedals mill. The Munken range includes the following products:

- *bulky book paper* – used mainly for printing text books with a grammage of 70–300 g/m². The bulky book paper products include:
  - o *Munken Premium White and Munken Premium Cream* – exclusive papers for books with high durability. This type of paper is often used in first editions.
  - o *Munken Print White sand Munken Print Cream* – stiffer and suitable for most types of books.
- *general print paper / design paper* – a high-quality paper used mainly by advertising and design agencies for printing various advertising materials with a grammage of 70–400 g/m². This paper range includes Munken Pure, Munken Lynx and Munken Polar which are uncoated woodfree papers with a smooth surface suitable for color brochures, catalogues and other advertising materials.

Coated woodfree paper

Arctic Paper's coated woodfree papers are produced by Arctic Paper's paper mill in Grycksbo. In 2011, the Company manufactured approximately 245,000 tonnes of these papers. They are divided into the following brands:

- *Arctic Matt* paper has a grammage from 70 to 250 g/m². This paper is suitable for books, magazines, brochures, catalogues, covers, direct mail, folders and maps.
- *Arctic Silk* paper has a grammage from 90 to 250 g/m². This paper is suitable for book-covers, luxury magazines, brochures, posters and cards.
- *Arctic Volume* paper has a grammage from 90 to 300 g/m². This paper permits high quality image reproduction while maintaining a natural paper feel.
- *G-print* paper has a grammage from 70 to 250 g/m². This paper has a non-reflecting surface and with a bulk and stability that add tactile qualities.
- *G-print Smooth* paper has a grammage from 90 to 250 g/m². This is a paper for productions where excellent printability in combination with high bulk is needed.

Uncoated wood-containing paper

Arctic Paper's uncoated wood-containing paper is manufactured in Mochenwangen. In 2011 the Company manufactured approximately 105,000 tonnes of this paper. It can be divided into three product groups: (i) book paper, (ii) offset paper and (iii) technical paper:

- Book paper can be classified as yellow white paper (*Pamo Classic*, *Pamo-Super* and *Pamo-Art*) and blue-white paper (*Pamo-Bulky, Pamo-Super White, Pamo-Sky,* and *Pamo Star*) with a grammage from 50 to 100 g/m² and is used mainly for paperback books.
- Offset paper, sold under the **L-Print** brand, is suitable for advertising brochures, catalogues and telephone books. This paper has a grammage from 45 to 80 g/m² and contains approximately 50 percent recycled fibers.
- Technical paper for wallpaper application, woodworking industry (AP Tech).

Product development

Arctic Paper focuses on finding new applications for existing products and developing new products. In both cases, the focus is focused on graphic packaging, specialty packaging for medical applications and technical papers in the wood, wall paper and construction industries. Within traditional graphic fine paper ongoing development work for further customization for printing techniques at high speeds, such as "book-on-demand".

Sales structure

In 2011 the sales structure divided to main production lines presented as follows:

Volume structure – by product

(tonnes, thousand)	2011	share %	2010	share %
Amber	301	39%	297	40%
G-print	169	22%	159	21%
Munken	109	14%	118	16%
Pamo	66	9%	64	9%
Arctic	80	10%	61	8%
L-Print	25	3%	33	4%
AP Tech	12	2%	11	1%
Other	2	0%	2	0%
Total	**765**	**100%**	**745**	**100%**

Sales structure – by product

(PLN million)	2011	share %	2010	share %
Amber	947	37%	861	38%
G-print	549	22%	475	21%
Munken	447	18%	448	20%
Pamo	288	11%	220	10%
Arctic	187	7%	171	7%
L-Print	63	2%	74	3%
AP Tech	36	1%	31	1%
Other	11	0%	7	0%
Total	**2,527**	**100%**	**2,288**	**100%**

Geographical information – Revenues from external customers

(PLN millions)	2011	2011 - share, %	2010	2009
Germany	574	23%	496	460
France	260	10%	233	213
UK	229	9%	214	116
Scandinavia	387	15%	332	245
Other western Europe	316	13%	312	313
Poland	259	10%	233	225
Other central and eastern Europe	478	19%	443	223
Other	24	1%	25	15
Total	**2,527**	**100%**	**2,288**	**1,809**

Summary of financial information

The information below is a summary of Arctic Paper's financial results and position for the full years 2009–2011, and for the first nine months of 2011 and 2012. Arctic Paper's consolidated financial statements are prepared in accordance with IFRS as endorsed by the European Union. The information below should be read in conjunction with the section "Arctic Paper financial information for 2009-2011" and "Sections of Arctic Paper's interim report January – September 2012".

Arctic Paper has not included in this Offer Document, made available to the public or otherwise presented any forecasts of its financial results.

Summary consolidated income statement

	January-September (unaudited)		January-December (audited)		
(PLN million)	2012	2011	2011	2010	2009
Sales of paper	1,986	1,854	2,527	2,287	1,806
Sales of services	0	0	0	0	4
Revenues	**1,986**	**1,854**	**2,527**	**2,288**	**1,809**
Cost of sales	–1,670	–1,602	–2,173	–2,030	–1,340
Gross profit (loss) on sales	**316**	**251**	**354**	**258**	**469**
Selling and distribution expenses	–231	–214	–294	–273	–238
Administrative expenses	–54	–51	–72	–57	–59
Other operating income	52	52	73	150	45
Other operating expenses	–41	–44	–57	–60	–38
Operating profit / (loss)	**42**	**–6**	**3**	**18**	**179**
Finance income	1	24	43	20	2
Finance costs	–32	–31	–46	–30	–28
Profit / (loss) before tax	**10**	**–13**	**0**	**7**	**153**
Income tax	6	–3	12	21	–21
Net profit (loss) for the period from continuing operations	**16**	**–16**	**12**	**29**	**132**
Discontinued operations	0	0	0	0	0
Profit (loss) for the period from discontinued operations	0	0	0	0	0
Net profit (loss) for the period	16	–16	12	29	132
Consolidated statement of comprehensive income					
Net profit / (loss) for the period	**16**	**–16**	**12**	**29**	**132**
Exchange difference on translation of foreign operations	0	8	14	12	2
Deffered tax on derivatives			7	–3	0
Deffered tax on items recognised directly in equity	0	4			
Valutation of derivatives	0	–14	–26	11	2
Reversal of defered tax assets			0	0	–10
Exchange difference on investments in subsidaries	–4				
Other comprehensive income	**–4**	**–2**	**–4**	**20**	**–6**
Total comprehensive income	**11**	**–18**	**8**	**49**	**126**

Summary consolidated balance sheet

(PLN million)	(unaudited) 30 September 2012	2011	(audited) 31 December 2011	2010	2009
ASSETS					
Non-current assets					
Property, plant and equipment	927	988	992	1 001	553
Investment properties	11	11	11	11	12
Intangible assets	109	118	120	127	43
Other financial assets	1	2	1	5	1
Other non-financial assets	2	1	2	1	1
Deferred tax asset	10	2	6	4	1
Total fixed assets	**1 059**	**1 121**	**1 132**	**1 148**	**610**
Current assets					
Inventories	279	308	315	291	168
Trade and other receivables	318	319	294	269	232
Income tax receivables	11	12	6	8	4
Other non-financial assets	8	9	9	7	5
Other financial assets	1	3	2	8	21
Cash and cash equivalents	135	116	166	179	140
Total current assets	**752**	**767**	**792**	**762**	**570**
TOTAL ASSETS	**1,811**	**1,888**	**1,925**	**1,911**	**1,180**
EQUITY & LIABILITIES					
Equity attributable to equity holders of the parent company					
Share capital	554	554	554	554	524
Share premium	82	80	80	72	36
Other reserves	121	120	111	40	1
Foreign currency translation	36	31	37	22	10
Retained earnings / Accumulated (unabsorbed) losses	–117	–134	–106	–21	46
Non-controlling interest	0	0	0	0	0
Total equity	**677**	**650**	**676**	**668**	**618**
Non-current liabilities					
Interest-bearing loans and borrowings	16	230	317	193	204
Provisions	85	79	84	72	22
Other financial liabilities	43	41	44	44	11
Deferred tax liabilities	145	160	157	154	45
Accruals and deferred income	33	35	35	38	40
Total non-current liabilities	**321**	**547**	**637**	**500**	**322**
Current liabilities					
Interest-bearing loans and borrowings	343	168	67	292	17
Provisions	5	8	10	14	9
Other financial liabilities	52	64	60	11	7
Trade and other payables	353	366	403	365	168
Income tax payable	3	1	1	2	1
Accruals and deferred income	58	83	70	59	38
Total current liabilities	**814**	**691**	**612**	**743**	**240**
TOTAL LIABILITIES	**1,134**	**1,237**	**1,249**	**1,243**	**562**
TOTAL EQUITY AND LIABILITIES	**1,811**	**1,888**	**1,925**	**1,911**	**1,180**

Summary consolidated cash flow statement

(PLN million)	January–September (unaudited) 2012	January–September (unaudited) 2011	January–December (audited) 2011	January–December (audited) 2010	January–December (audited) 2009
Cash flow from operating activities					
Profit (loss) before taxation	10	–13	0	7	153
Adjustments for:					
Depreciation	92	96	128	112	67
Foreign exchange differences	–1	–13	–23	–25	–1
Imapirment of non-current assets	0	0	11	16	0
Net interest and dividends	26	29	39	27	19
Gain/loss from investing activities	1	1	1	0	2
Increase / decrease in receivables and other non-financial assets	–27	–36	–8	22	38
Increase / decrease in inventories	30	–1	–1	–48	41
Increase / decrease in payables except for loans and borrowings	–43	–20	10	99	–85
Change in accruals and prepayments	–13	13	–2	–16	16
Change in provisions	–2	–2	–1	8	1
Income tax paid	–9	–9	–7	–9	–8
Bargain purchase at Arctic Paper Grycksbo	0	0	0	–78	0
Derecognition of emission rigths to CO_2 identified in a business combination	7	9	15	7	9
Sale of yellow certificates	0	18	–5	0	0
Other	0	6	6	–5	0
Net cash flow from operating activities	**71**	**76**	**162**	**120**	**251**
Cash flow from investing activities					
Proceeds from sale of property, plant and equipment and intangibles	0	–1	0	36	19
Purchase of property, plant and equipment and intangible assets	–36	–49	–57	–99	–132
Acquisition of subsidiaries, net of cash acquired	0	0	0	–188	0
Granted loans	0	0	0	21	–20
Other investing inflows and outflows	0	0	0	0	0
Net cash flow from investing activities	**–35**	**–50**	**–56**	**–231**	**–133**
Cash flow from financing activities					
Change in bank overdrafts	2	1	–9	41	0
Repayment of finance lease liabilities	–6	–6	–8	–7	–11
Proceeds from/Repayment of other finance liabilities	–4	–3	15	0	–2
Proceeds from loans and borrowings	0	133	110	183	149
Repayment of loans and borrowings	–17	–182	–192	–19	–277
Dividends	–10	0	0	–49	0
Interest paid	–30	–29	–39	–20	–18
Issue of shares	0	0	0	0	117
Other	0	0	1	1	0
Net cash flow from financing activities	**–65**	**–86**	**–122**	**130**	**–42**
Net increase/(decrease) in cash and cash equivalents	–29	–60	–16	20	76
Net foreign exchange differences	–2	–4	3	19	–1
Cash and cash equivalents at the beginning of the period	166	179	179	140	64
Cash and cash equivalents at the end of the period	**135**	**116**	**166**	**179**	**140**

Key ratios for the group

(PLN million)	January–September (unaudited) 2012	2011	January–December (audited) 2011	2010	2009
Operating margin, %	2.1	–0.3	0.1	0.8	9.9
Profit margin, %	0.8	–0.9	0.5	1.3	7.3
Return on capital employed, %	0.0	0.0	2.4	15.1	190.7
Return on equity after full tax, %	2.4	–2.5	1.8	4.3	21.4
Equity/assets ratio, %	37.4	34.4	35.1	35.0	52.4
Debt/equity ratio	1.7	1.9	1.8	1.9	0.9
Interest coverage ratio	4.9	4.4	3.5	4.8	11.8
Equity/share, PLN	12.22	11.74	12.19	12.06	11.16
Operating cash flow/share, PLN	1.30	1.37	2.92	2.17	4.53
Capital expenditure	35.0	31.0	55.0	71.0	220.0
Average no. of employees	1,573	1,597	1,597	1,596	1,141

Definitions

Operating income before amortization
Operating income before amortization of acquisition related intangible assets, acquisition related costs and items affecting comparability, but including amortization and depreciation of other intangible assets, buildings and land and machinery and equipment.

Operating margin
Operating income as percentage of total sales.

Operating income after amortization
Operating income after amortization of acquisition related intangible assets, acquisition related costs, items affecting comparability and including amortization and depreciation of other intangible assets, buildings and land and machinery and equipment.

Cash flow from operating activities
Operating income before amortization adjusted for depreciation/amortization less capital expenditures in non-current tangible and intangible assets (excluding acquisitions of subsidiaries), change in accounts receivable and changes in other operating capital employed.

Free cash flow
Cash flow from operating activities adjusted for financial income and expenses paid and current taxes paid.

Capital employed
Balance sheet total less non-interest-bearing operating liabilities including deferred tax liabilities.

Return on capital employed
Operating income before amortization plus items affecting comparability as a percentage of the closing balance of capital employed excluding shares in associated companies relating to financial investments.

Return on equity
Net income for the year adjusted for interest on convertible debenture loans after taxes as a percentage of average adjusted shareholders' equity weighted for new issues.

Net debt equity ratio
Net debt in relation to shareholders' equity.

Equity ratio
Shareholders' equity as a percentage of total assets.

Commentary on the financial development

Comparison between January – September 2012 and January – September 2011

Sales

The sales level during the first three quarters of 2012 was higher than in the same period of 2011 by 7.1 percent (2012: PLN 1,986 million, 2011: PLN 1,854 million). The growth was mainly a result of increased volume.

Earnings

The group managed to reach 48 percent higher EBITDA in the first three quarters of 2012 than in 2011, whereas the net profit leveled at PLN 16 million in comparison to PLN 16 million loss in 2011. The above resulted in better return on equity ratio in 2012 (+2,4 percent) – in 2011 it was -2.5 percent.

Cash flow

Net cash flows January – September 2012 were lower than in the same period of 2011, especially in the financing and investing activity. In 2011 the investments in property, plant and equipment were realized, and in the same time the flows within repayment and proceeds from loans and borrowings were higher than in 2012.

Financial position and interest bearing debt

In the three first quarters of 2012 the level of indebtedness of the Company was lower by 22.7 percentage points (debt-to–equity ratio) than in 2011 mainly due to repayments of the Pekao credit facility.

Comparison between 2011 and 2010

Sales

In 2011 consolidated sales revenue amounted to PLN 2,527 million compared to PLN 2,287 million in the previous year. LFL consolidated sales revenue (after exclusion of acquisition of Grycksbo factory in Sweden) were higher by 5.3 percent compared to sales realized in 2010.

The sales volume in 2011 amounted to 765.4 thousand tonnes and was higher by 20.7 thousand tonnes than in the previous year.

Earnings

EBITDA in 2011 amounted to PLN 141.7 million while in 2010 it amounted to PLN 146.3 million. In the reporting period of 2011 EBITDA margin amounted to 5.6 percent compared to 6.4 percent in 2010.

Profit on operating activities in 2011 amounted to PLN 3.1 million compared to PLN 17.7 million in the previous year. Operating profit margin in 2011 amounted to 0.1 percent, while in 2010 it amounted to 0.8 percent.

Net profit in 2011 amounted to PLN 12.1 million compared to PLN 28.8 million in 2010. Net profit margin amounted to 0.48 percent compared to 1.3 percent in 2010.

In 2011 return on equity amounted to 1.8 percent, while in 2010 it reached a level of 4.3 percent. In the same period return on assets fell from 1.5 percent in 2010 to 0.6 percent in 2011.

Cash flow

In 2011 net cash flow from operating activities amounted to PLN 162.2 million compared to PLN 120.4 million in 2010. Higher cash flow from operating activities in 2011 resulted primarily from utilization of the CO2 emission rights recognized while acquiring Arctic Paper Grycksbo and Arctic Paper Mochenwangen and greater gross profit in 2011, compared to the result achieved in 2010 having excluded gain on bargain purchase related to acquisition of Arctic Paper Grycksbo.

In 2011 cash flow from investment activities amounted to PLN -56.4 million compared to PLN -230.6 million in 2010. The change was mainly due to the acquisition of Arctic Paper Grycksbo in 2010. Cash flows from investment activities in the whole 2011 comprise mainly expenses for purchasing of property, plant and equipment and intangibles.

In 2011 cash flow from financial activities amounted to PLN -121.6 million compared to PLN 130.0 million in 2010. In twelve months of 2011 cash flow from financial activities related mostly to the refinancing of Arctic Paper Munkedals' debt by Svenska Handelsbanken AB bank as well as issue and repayment of bonds performed in February 2011.

Financial position and interest bearing debt

As at the end of December 2011 debt to equity ratio was 1.8 and compared to 1.9 at the end of December 2010.

Equity to non-current assets ratio at the end of 2011 stood at 59.7 percent and was 1.5 percentage points higher than at the end of December 2010.

The interest-bearing debt to equity ratio at the end of 2011 stood at 56.9 percent and was 15.7 percentage points lower than at the end of December 2010.

Comparison between 2010 and 2009

Sales

In 2010 consolidated sales revenue amounted to PLN 2,287 million compared to PLN 1,809 million in the same period of the previous year. Like for like consolidated sales revenues (after exclusion of acquisition of Grycksbo factory in Sweden) stood at PLN 1,738 million, which means a decrease by PLN 70.7 million (-3.9 percent) compared to sales realized in 2009. The sales volume in 2010 amounted to 745 thousand tonnes compared to 573 thousand tonnes in the same period of the previous year. This change represents an increase by 172 thousand tonnes and accordingly by 30.0 percent.

Earnings

Profit on operating activities in 2010 amounted to PLN 17.7 million compared to PLN 179.3 million in the previous year. Operating profit in percent in the 2010 amounted to 0.77 percent, while in 2009 it was equal to 9.9 percent.

EBITDA in 2010 amounted to PLN 146.3 million and in 2009 amounted to PLN 246.6 million. In the reporting period EBITDA amounted to 6.4 percent compared to 13.6 percent in 2009.

Net profit in 2010 amounted to PLN 28.8 million compared to PLN 132.4 million in 2009. The net profit in 2010 caused decrease of net profit margin to the level of 1.3 percent compared to 7.3 percent in 2009.

In 2010 the return on equity amounted to 4.3 percent, while in 2009 it reached a level of 21.4 percent. In the same time return on assets fell from 11.2 percent in 2009 to 1.5 percent in 2010.

Cash flow

In 2010 net cash flow from operating activities amounted to PLN 120.4 million compared to PLN 251.0 million in the same period of 2009. Lower cash flow from operating activities in 2010 resulted primarily from lower earnings. Within the working capital, the most significant changes were substantial growth of liabilities with simultaneous growth of inventories and receivables. The cash flow from operating activities was to a high extent influenced by consolidation of Arctic Paper Grycksbo starting from 1 of March 2010.

During 12 months of 2010 cash flow from investment activities amounted to PLN -230.5 million and compared to PLN -132.5 million in the same period of the previous year. Investment cash flow in 2010 related primarily to the acquisition of Arctic Paper Grycksbo, with a relatively low level of investment expenditures in other paper mills.

During the 12 months of 2010 cash flow from financial activities amounted to PLN 130.0 million compared to PLN -42.2 million in the same period of 2009. In 2010 cash flow from financial activities related mostly to the acquisition of Arctic Paper Grycksbo and its financing acquired by the way of bond issue and share issue, which are described in the further paragraphs of this report.

Financial position and interest bearing debt

As at the end of December 2010 debt to equity ratio was 1.9 and was 95 percent higher than at the end of December 2009. The interest-bearing debt to equity ratio at the end of the current quarter stood at 72.6 percent and was 36.8 percentage points higher than at the end of December 2009. Equity to non-current assets ratio at the end of the current quarter stood at 58.2 percent and was 43.1 percentage points lower than at the end of December 2009.

Capitalization and other financial information

The tables below present financial data on the equity and indebtedness of Arctic Paper as at the dates indicated.

Equity and liabilities

Arctic Paper's capitalization as of 30 September 2012 is shown below.

Arctic Paper's shareholders' equity and liabilities as of 30 September 2012

(PLN million)	
Total current interest-bearing debt	**389**
Guaranteed	0
Secured	187
Unguaranteed/ Unsecured	202
Total non-current interest-bearing debt	**55**
Guaranteed	0
Secured	55
Unguaranteed/ Unsecured	0
Total equity	**677**
Share capital	554
Other capital contributed	64
Translation reserve	36
Hedging reserve +FX on investement in subsidiaries	–14
Retained earnings including net income for the period	37

Net debt

Arctic Paper's net debt as per 30 September 2012 is shown below.

Net financial indebtedness as of 30 September 2012

(PLN million)	
A. Cash and cash equivalents	135
B. Cash equivalents	0
C. Short-term investments	0
D. Liquidity (A) + (B) + (C)	**135**
E. Current financial receivables	0
F. Current bank debt	35
G. Current portion of non-current debt	106
H. Other current financial debt	248
I. Current financial debt (F) + (G) + (H)	389
J. Net current financial indebtness (I) – (E) – (D)	**254**
K. Non-current financial receivables	1
L. Non-current bank debt	16
M. Bond issue	0
N. Other non-current financial debt	39
O. Non-current financial debt (L) + (M) + (N)	55
P. Net financial indebtness (J) + (O) – (K)	**308**

No material changes in indebtedness and shareholder's equity have occurred in the Company between 30 September 2012 and the date of the Offer Document.

Credit facilities and loans
Actic Paper has available credits of PLN 359 million according to a new facility agreement with Bank Polska Kasa Opieki S.A., Bank Zachodni WBK S.A. and BRE Bank S.A. This new agreement was entered into on 6 November 2012 and consists of two parts:
Facility A. Five year loan of PLN 300 million, and
Facility B. Revolving loan of 59 million.

The above credit facility is used to refinance existing debts in Arctic Paper, to redeem outstanding bonds (PLN 200 million is allocated for this, see below) as well as for working capital needs. The loans may be used in PLN and EUR. I addition to this, the Company has unutilized leasing and factoring facilities with Svenska Handelsbanken of PLN 87 million as of 30 September 2012.

According to the new facility agreement Arctic Paper is providing certain collateral as well as entering into customary undertakings towards the banks, such as that larger acquisitions and investments will require banks consent as well as that certain financial key ratios will have to be fulfilled. The latter so called covenants are in the form of boundary values that may not be passed. Currently, the Company is far from reaching any of these. Furthermore, the interest cost is based on WIBOR or EURIBOR plus a margin which is correlated to the leverage.

As of 30 September 2012 Arctic Paper had two outstanding bond programs (1/2010 and 1/2011 series coupon bonds of PLN 120 million and PLN 80 million, respectively). The programs have to be repaid on 25 February 2013 and the Company has, according to above, reserved credits for this. The bonds may also be repaid earlier due to the acquisitions of Rottneros. In any case, such repayment will lower the Company's interest cost.

The following table specifies the Company's credit facilities and loans as of 30 September 2012.

Credit facilities as of 30 September 2012

(PLN million)	Gross debt
Bonds	202
Bank Pekao	154
GE Capital	1
Handelsbanken	87
Others leasing	0
Total	**444**

Statement regarding working capital
It is the Company's management board's view that as of the date of the Offer Document, the Company has an appropriate and sufficient level of working capital to cover its current operating liabilities and needs during the 12 consecutive months following the date of the Offer Document.

Capital resources
As of the date of the Offer Document, the Company has the appropriate capital resources to allow it to finance its current operating activity. However, it cannot be excluded that the Company may need to use additional debt financing in connection with its planned development, both in Poland and other countries.

Credit requirements
It is the management board's view that the equity held by the Company as of the date of the Offer Document is sufficient for the purposes and scale of its business operations, and the Company and the members of the group are capable of discharging their liabilities on the dates provided for in the relevant agreements.

Research and development
Research and quality assurance expenditures are booked as operational costs. Expenditure for development represents not more than 1 percent of annual revenues.

Ongoing and future investments
Arctic Paper makes the necessary investments in its operations on an ongoing basis. Arctic Paper's ongoing investments mainly comprise replacement investments in existing production facilities as well as investments in increased efficiency, lowering energy and water usage to reduce costs and lowering impact for environment. One of the important areas is investment for new products for non-graphic applications like paper and lineboard packaging application and technical paper. Energy generation is another important area. The modern combined heat and power plant runs at Kostrzyn mill, biofuel boiler runs at Grycksbo. Munkedals mill runs modernization of hydro water turbine to double current energy production Investments are financed by existing cash flow as well as through the Company's long- and short-term borrowing program.

For more information about ongoing and future investments see section "Arctic Paper financial information for 2009-2011."

Principal investments
During 2010 Grycksbo Paper Holding AB was acquired. During 2012 until the date of this Offer Document no investments of significant size have been made.

Property, plant and equipment
The net carrying amount of the Company's property, plant and equipment amounted to PLN 927 million at 30 September 2012 and mainly comprised land, buildings, machinery and equipment.

The carrying amount of property, plant and equipment held under finance lease agreements or hire purchase contracts on 31 December 2011 totaled PLN 3.3 million (on 31 December 2010: PLN 5.4 million).

Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

The use of the Company's properties, plants and equipment are subject to restrictions as follows from laws and regulations in each relevant jurisdiction, typically there are a number of environmental regulations concerning how the Company shall use its mills.

For more information about property, plant and equipment see section "Arctic Paper financial information for 2009-2011".

Related parties transactions

During 2012 until the date of this Offer Document Arctic Paper has not performed any significant transactions with related parties on non-market terms. The table below presents the total values of transactions with related parties entered into during the period 1 January 2012 until 31 October 2012.

Significant trends in 2012

This year is similar to the previous. Demand for fine paper is stable. High pulp prices and unfavorable currency exchange rates have influenced for financial performance for European paper producers, especially in Sweden. The graphic paper market is mature and quite stable. Weaker economy has had the effect that the long term slow decline in Western Europe has continued whereas Central and East Europe has continued its relatively strong growth. There are signals that some of Arctic Paper's competitors in the fine paper market are moving their strategic focus away from this market. If so, this will reduce the competitiveness and improve balance between supply and demand on this sector.

Significant changes since the interim report for the period January – September 2012 was published

Apart from the new credit agreement entered into on 6 November 2012 and described above no significant changes have occurred regarding Arctic Paper's financial or market position since the interim report for the third quarter of 2012 was published on 5 November 2012.

Share capital and ownership structure etc.

Arctic Paper's share is listed on the WSE (ticker: ATC). According to Polish regulation the structure of shareholding and information about shareholders of Arctic Paper is not disclosed to Arctic Paper. Arctic Paper can only provide information about shareholders who are obliged to notify Arctic Paper upon exceeding 5 percent of the total number of shares in Arctic Paper. As of 6 November 2012, the day before the announcement of the Offer, Nemus Holding[1] has notified Arctic Paper about its holding of 41,479,500 shares in Arctic Paper corresponding to 74.9 percent of the total number of shares in Arctic Paper and Accent Equity has notified Arctic Paper about its holding of 2,671,500 shares in Arctic Paper corresponding to 4.8 percent of the total number of shares in Arctic Paper. The number of outstanding shares in Arctic Paper is 55,403,500.

Shareholders	No. of shares	% of votes
Nemus Holding[1]	41,479,500	74.9%
Accent Equity	2,671,500	4.8%
Other shareholders	11,252,500	20.3%
Total outstanding shares	**55,403,500**	**100.0%**

Major shareholders

As at the date of the Offer Document, Thomas Onstad via companies as major shareholder has a decisive influ-

Transactions with related parties entered

Data for the period from 1 January 2012 to 31 October 2012 and as at 31 October 2012 (PLN thousands)

Related party	Sales to related parties	Purchases from related parties	Interest – financial income	Interest – financial costs	Receivables from related parties	Loans granted	Payables to related parties
Trebruk							
Håfeström Företagspark AB (previously Arctic Paper Håfeström AB)		963			4,623		
Rottneros		43,192					9,151
Nemus Holding							
Total	**-**	**44,155**	**-**	**-**	**4,623**	**-**	**9,151**

[1] Nemus Holding's shareholding in Arctic Paper is owned via Trebruk, an intermediate holding company 100 percent owned by Nemus Holding and ultimately controlled by Thomas Onstad.

Share capital development

Date of registration with the register of entrepreneurs of the National Court Register (Krajowy Rejestr Sądowy)	Transaction	Change in number of shares A series	Change in number of shares B series	Change in number of shares C series	Change in number of shares E series	Change in number of shares F series	Total number of shares	Change in share capital (PLN)	Total share capital (PLN)	Nominal value value (PLN)
28 May 2008	Incorporation of the Company, issuance of series A shares	500,000					500,000	500,000	500,000	1.00
30 September 2008	Issuance of series B shares		442,534,679				443,034,679	442,534,679	443,034,679	1.00
31 December 2008	Year end						443,034,679		443,034,679	
1 June 2009	Increase of the share capital, issuance of series B shares, increase of the nominal value of the shares	−450,000	−398,281,179				44,303,500	321	443,035,000	10.00
9 June 2009	Entrering into the registry by the registry court the new total number of shares						44,303,500		443,035,000	
28 August 2009	Registration of authorized share capital (PLN 120,000,000)									
28 August 2009	Registration of conditional increase of the share capital (PLN 12,000,000)									
12 November 2009	Increase of the share capital, issuance of series C shares			8,100,000			52,403,500	81,000,000	524,035,000	10.00
31 December 2009	Year end						52,403,500		524,035,000	
9 March 2010	Increase of the share capital, issuance of series E shares				3,000,000		55,403,500	30,000,000	554,035,000	10.00
2 July 2010	Registration of increase of the conditional increase of the share capital (PLN 15,000,000)									
31 December 2010	Year end						55,403,500		554,035,000	
31 December 2011	Year end						55,403,500		554,035,000	
9 November 2012	Decrease of the share capital by decreasing the nominal value of shares						55,403,500	−498,631,500	55,403,500	1.00
December 2012	Increase of the share capital, issuance of series F shares in connection with the Offer.[1]					28,561,464	83,964,964	28,561,464	83,964,964	1.00

ence on the direction of Arctic Paper's business activity. Thomas Onstad exercises control over Arctic Paper by holding the majority of votes at the general meeting and thereby being able to appoint the majority of supervisory board members, which exercises constant supervision over the Company's activities and appoints or dismisses management board members (while supervisory board resolutions are adopted by a simple majority of votes).

Because of Nemus Holdings (indirect) ownership in Arctic Paper, Nemus Holding is considered as parent company to Arctic Paper. Further, Nemus Holding is part of Casandrax Financials S.A which is considered as group parent.

Authorization for the management board to issue new shares

The authorization for the management board, as set out in the current articles of association, to carry out one or several new issues of shares has expired as the 3 years time period has already passed. It is proposed that the general meeting of the Company to be held on 3 December 2012 will adopt a resolution amending the articles of association thereby deleting such authorization from the articles of association. Subject to adoption of such resolution, the corresponding change in the register of entrepreneurs of the National Court Register (KRS) could be made.

Warrant incentive program

The Company has a warrant incentive program for certain key employees and directors in the Company, including also management board members and supervisory board members. The program comprises entitlement to not more than 1,500,000 warrants, and it has currently been resolved that the relevant employees and directors have entitlement to receive 650,000 warrants (of which 150,000 warrants have not yet been allocated) which will be issued upon subscription. The warrants are issued free of charge to the entitled employees and directors. Each warrant entitles to subscribe for one new share in the Company. Accordingly, the warrant program may result in not more than 1,500,000 new shares being issued, corresponding to approximately 2.6 percent of the total number of shares in the Company after such warrants have been exercised. The warrants must be exercised not later than 31 December 2013. The exercise price, as defined in the agreements with entitled

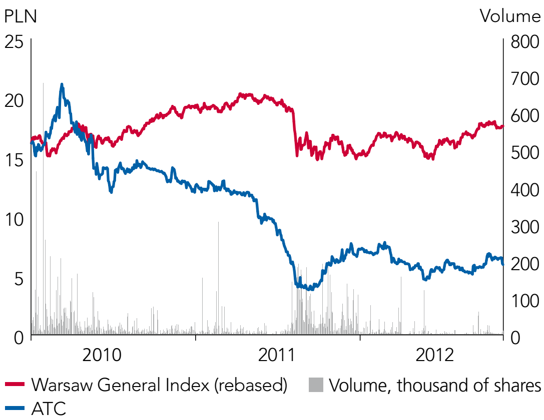
[1] Assuming the Offer is fully accepted and that none of the entitled shareholders of Rottneros choose to accept the Cash Alternative.

employees and directors, of each warrant is PLN 10.00 in cash. The exercise price may however become subject to changes as resolved by the supervisory board.

In order to facilitate the issuance of new shares under the warrant incentive program, the Company has been authorized and obliged, as set out in the articles of association, to issue new shares in the Company against exercised warrants and payment. Since the relevant provisions of the articles of association may be deemed partly obsolete, it has been proposed that the extraordinary general meeting of the Company to be held on 3 December 2012 shall resolve to amend the articles of association in this regard, please see section "Arctic Paper's articles of association".

Share price development

The graph below illustrates the Arctic Paper share price development between January 2010 and until one trading day prior to the announcement of the Offer.



Shareholder agreements

The management board is not aware of any shareholder agreements or other agreements between the shareholders of Arctic Paper with the objective of creating a joint influence over Arctic Paper, nor is the management board aware of any agreement or similar that may lead to a change in the control of Arctic Paper.

Listing of Arctic Paper's share on NASDAQ OMX

The shares in Arctic Paper are listed on WSE (ticker: ATC). In addition to the primary listing on WSE, the shares in Arctic Paper are intended to be secondary listed on NASDAQ OMX in connection with the settlement of the Offer. NASDAQ OMX has approved Arctic Paper for secondary listing on NASDAQ OMX provided that the exchange's requirement regarding sufficient free float is met. Arctic Paper makes the assessment that the free float requirement will be met in connection with the settlement of the Offer.

Central clearing

The shares in Arctic Paper are deposited with KDPW. Those shares that are delivered as considferation in the Offer and will be traded on NASDAQ OMX will be delivered from KDPW and through Euroclear's system.

Dividend policy

The Company's Management Board intends to recommend annually to the general meeting a dividend declaration of 25 to 50 percent of the group's consolidated net profit for the relevant year, unless significant investments are required.

Please refer to section "Summary of certain Polish corporate governance and securities market regulations" – "Dividends and other distribution of profit" for further information.

Dividend history

On 28th June 2012 the general meeting adopted a resolution regarding payment of dividend in the total amount of PLN 9,972,630 (SEK 21 million) or PLN 0.18 per share. The number of shares covered by dividend was 55,403,500. The general meeting set the record date for dividend to 31 July 2012 and the dividend payment date to 21 August 2012.

	2011	2010	2009
Dividend PLN per share	0.00	0.89	0.00

Securities carrying special control rights

The Company does not have any securities which carry special control rights, and the Company's shares are non-preferred.

Shares

All shares have the same rights and the same ISIN-code, which is PLARTPR00012. All shares are fully paid and are denominated in zloty (PLN). The Company has issued shares of several series, however, this does not entail any difference in rights between the shares. At the date of this Offer Document the Company has issued a total of 55,403,500 shares each with a par value of PLN 1 (these shares are formally divided on 50,000 A series shares, 44,253,500 B series shares, 8,100,000 C series shares and 3,000,000 E series shares).

The shares are not subject to any mandatory takeover bid, squeeze out or sell out process. No public takeover bid relating to the Company's shares has occurred since the Company was established.

Description of the rights, including their restrictions, attached to securities and procedures for exercising these rights

As at the date of this Offer Document, all of the Company's shares are ordinary bearer shares and are issued in accordance with Polish law. Each share holds the same right as regards votes at general meetings. Each share has the same right to dividends and to any surplus remaining after liquidation of the Company. The shares are freely transferable and may be encumbered. The shareholders' rights may only be changed pursuant to

Polish law, mainly the CCC.

Pursuant to the articles of association, the Company's shares may be voluntary redeemed. A voluntary redemption of shares requires (i) a resolution adopted by the general meeting allowing the Company to purchase the shares, passed by 2/3 majority of votes, by the general meeting to redeem the shares, (ii) acquisition of such shares by the Company and (iii) a second resolution, passed by 3/4 majority of votes, by the general meeting to redeem the shares, however if at least half of the share capital is represented at the general meeting, a simple majority of votes is sufficient for adoption of such resolution. Arctic Paper's shares are redeemed through decrease of the share capital.

Subject to requirements related to participation and voting at the Company's general meeting, the Company's shares give their holders the right to participate in and the right to vote on resolutions taken at the general meeting. Each share carries one vote at the general meeting.

Supervisory board, management board and auditors

Supervisory board

Arctic Paper's supervisory board is composed of the following persons:

Full name	Position	Born
Rolf Olof Grundberg	Chairman of the supervisory board	1945
Rune Roger Ingvarsson	Member of the supervisory board	1943
Thomas Onstad	Member of the supervisory board	1954
Fredrik Lars Plyhr	Member of the supervisory board	1967
Mariusz Grendowicz	Member of the supervisory board	1960
Jan Ohlsson	Member of the supervisory board	1950

The current terms of office for all members of the supervisory board expire at the end of the annual general meeting, approving the financial statements for the financial year 2013, to be held in 2014.

Rolf Olof Grundberg, born 1945
Chairman of the supervisory board of Arctic Paper since 2008.
Education: Pol Mag Diploma in Business Administration from Umeå University.
Other current assignments: Board member and CEO in Svenska Pappersbruket AB. Board member in Sorröds Gård AB. Deputy board member in Nemus Holding AB. Sole trader in Sörröds Gård.
Previous assignments over the last five years: -
Holdings of financial instruments in Arctic Paper (own and closely related persons): 10,312 shares and 30,000 warrants.

Rune Roger Ingvarsson, born 1943
Member of the supervisory board of Arctic Paper since 2008.
Education: Engineering at Helsingborg High School.
Other current assignments: Board member in Satomo Invest AB.
Previous assignments over the last five years: Chairman of the Board in Rottneros AB. Board member in Rottneros AB.
Holdings of financial instruments in Arctic Paper (own and closely related persons): 15,000 warrants.

Thomas Onstad, born 1954
Member of the supervisory board of Arctic Paper since 2008.
Education: Degree from the London School of Foreign Trade.
Other current assignments: -
Previous assignments over the last five years: -
Holdings of financial instruments in Arctic Paper (own and closely related persons): 41,479,500 shares and 15,000 warrants.

Fredrik Lars Plyhr, born 1967
Member of the supervisory board of Arctic Paper since 2008
Education: M.Sc. in Business and Economics from the Stockholm School of Economics.
Other current assignments: Founder and partner in Heptagon Capital LLP.
Previous assignments over the last five years: -
Holdings of financial instruments in Arctic Paper (own and closely related persons): 19,000 shares and 15,000 warrants.

Mariusz Grendowicz, born 1960
Member of the supervisory board of Arctic Paper since 2012
Education: ACIB, International Banking Diploma from the Chartered Institute of Bankers, London. MA Economics of Transport from the University of Gdansk.
Other current assignments: Member of the supervisory board in Atena Usugi Informatyczne i Finansowe Sp. z o.o. Chairman of the supervisory board in MobiTrust S.A. Chairman of the supervisory board in MoneyMakers S.A. Member of the supervisory board in Globe Trade Centre S.A. Member of the supervisory board in Aviva Towarzystwo Ubezpieczen na Życie S.A. Chairman of the supervisory board in Deutsche Capital Management AG.
Previous assignments over the last five years: President of the management board, Chief Executive Officer in BRE Bank S.A.
Holdings of financial instruments in Arctic Paper (own and closely related persons): -

Jan Ohlsson, born 1950
Member of the supervisory board in Arctic Paper since 2010.
Education: M.Sc. in Business Administration and Finance from the Stockholm School of Economics.
Other current assignments: Executive Chairman and Founding Partner of Accent Equity Partners AB. Chairman in Crem International. Chairman in Tesab. Chairman in Candyking Holding AB. Chairman in Nordic Shelter Solutions. Chairman in Troax. Deputy chairman in ÅR

Packaging Group. Chairman in Corvara. Board member in Bergteamet. Chairman in Green-Lite.
Previous assignments over the last five years: Chairman in Grycksbo Paper AB. Chairman in Scandbook. Chairman in Jötul.
Holdings of financial instruments in Arctic Paper (own and closely related persons): -

None of the members of the supervisory board has during the previous five years been convicted in any fraud related trial, during the previous five years been a member of an administrative, management or supervisory body or a member of senior management in an entity, put into liquidation or had a compulsory manager appointed for its business, during the previous five years been formally accused or subjected to sanctions imposed by state authorities or organizations that is acting for a certain labor group.

Moreover, there are no family connections between persons holding management and supervisory positions in the Company. The supervisory board members perform work at in Poznan and has the same address as the Company.

The following persons are independent supervisory board members:

- Rune Ingvarsson
- Fredrik Lars Plyhr
- Mariusz Grendowicz
- Jan Ohlsson

Thus, four of six supervisory board members are independent members. The members' independency is judged according to the Code for good practice for companies listed on WSE (Po: *Dobre Praktyki Spółek Notowanych na GPW*), see section "Polish securities market regulations and corporate governance in brief" – "Supervisory board".

Management board
Arctic Paper's management board is composed of the following persons:

Full name	Position	Born
Michał Piotr Jarczyński	President of the management board and Chief Executive Officer	1968
Michał Bartkowiak	Member of the management board and Chief Financial Officer	1975
Per Skoglund	Member of the management board and Chief Operating Officer	1960
Jacek Ireneusz Los	Member of the management board and CPO	1962
Wolfgang Lübbert	Member of the management board and Marketing and Sales Director	1963

The current terms of office for all members of the management board expire at the end of the annual general meeting, approving the financial statements for the financial year 2013, to be held in 2014.

Michał Piotr Jarczyński, born 1968
President of the management board and Chief Executive Officer of Arctic Paper since 2008.
Education: M.Sc. in Civil Engineering from the Poznan Polytechnical University. Post-graduate studies at the Poznan University of Economics.
Other current assignments: Chairman of Muzeum Papiernictwa w Dusznikach Zdroju. Chairman of Polish Papermakers Association (Lodz), Board member of Confederation of European Paper Industries (Brussels), Chairman of High-level Group Forest-based Sector Technology Platform (Brussels). Independent Board member of ENEA S.A. (Poznan).
Previous assignments over the last five years: -
Holdings of financial instruments in Arctic Paper (own and closely related persons): 86,450 shares and 140,000 warrants.

Michał Bartkowiak, born 1975
Member of the management board and Chief Financial Officer in Arctic Paper since 2009.
Education: B.Sc. from the Poznan School of Banking. M.Sc. in Business Accounting and Finance from the Poznan University of Economics.
Other current assignments: President of the management board in Galileus Sp. z o.o. Member of the supervisory board in Gardens-Software Sp. z o.o.
Previous assignments over the last five years: Member of the management board in Sieć Detalistów Nasze Sklepy Sp. z o.o. Chief Financial Officer in Eurocash S.A. Member of the management board in Eurocash Detal Sp. z o.o. Member of the management board Eurocash Franszyza Sp. z o.o.
Holdings of financial instruments in Arctic Paper (own and closely related persons): 45,000 warrants.

Per Skoglund, born 1960
Member of the management board and Chief Operating Officer in Arctic Paper since 2011
Education: Studies in chemical engineering, Chalmers University of Technology (no degree).
Other current assignments: -
Previous assignments over the last five years: Managing Director in Arctic Paper Grycksbo AB. Managing Director in Arctic Paper Håfreström AB.
Holdings of financial instruments in Arctic Paper (own and closely related persons): 15,000 warrants.

Jacek Ireneusz Los, born 1962
Member of the management board and CPO in Arctic Paper since 2011
Education: M.Sc. in Economics from Gdansk University. Post-Graduate studies in Banking and Finance at Gdansk Academy of Banking by the Institute of Market Research and Bank Akademie Frankfurt.
Other current assignments: -
Previous assignments over the last five years: -
Holdings of financial instruments in Arctic Paper (own and closely related persons): 15,000 warrants.

Wolfgang Lübbert, born 1963
Member of the management board and Marketing and Sales Director in Arctic Paper since 2012
Education: Degree from Hamburg University in National Economics.

Other current assignments: -
Previous assignments over the last five years: -
Holdings of financial instruments in Arctic Paper (own and closely related persons): 10,000 warrants.

None of the members of the management board has: for the previous five years been convicted by a final and valid judgment of fraud, for the previous five years been a member of an administrative, management or supervisory body or a member of senior management in an entity which before, during or after his term of office was declared bankrupt, put into liquidation or had a compulsory manager appointed for its business), for the previous five years been prohibited by a court from acting as a member of the administrative, management or supervisory bodies of any public company or participating in managing or handling the affairs of any public company, for the previous five years been formally accused or subjected to sanctions imposed by state authorities or organizations (including professional organizations).

Moreover, there are no family connections between the persons holding management and supervisory positions in the Company. The management board members perform work in Poznan.

Auditors
On 5 June 2012, Ernst & Young Audit Sp. z o.o. was appointed as the Arctic Paper's auditor with authorized public accountant Andrzej Kowal as auditor in charge. Ernst & Young Audit Sp. z o.o. has been Arctic Paper's auditors since 2008.

Andrzej Kowal, born 1967
Authorized Public Accountant.

Agreements concluded in connection with appointing members of the management board and supervisory board
There are no agreements or understandings with the major shareholders, customers, suppliers or any other persons, pursuant to which members of the management board and the supervisory board have been appointed to their positions.

Additional information on the members of the supervisory board and management board
All the members of the supervisory board and management board may be reached through the Company's head office: J.H. Dąbrowskiego 334 A, 60406 Poznan, Poland.

The supervisory board member Thomas Onstad is a related party to Arctic Paper's largest owner Nemus Holding. Nemus Holding is also large shareholder in Rottneros. Potential conflicts of interest may possibly arise between the aforementioned member's private interests and Arctic Paper's interests in relation to the Offer, due to their close links to the large owner and the fact that Thomas Onstad also is an indirect major shareholder in Arctic Paper and Rottneros, respectively. Futhermore, Rolf Olof Grundberg is a board member of Nemus Holding and therefore not independent of Nemus Holding. The rest of the members of the supervisory board are independent of Arctic Paper's large owners and they are, therefore, not object of any conflict of interest regarding Arctic Paper's interests in relation to the Offer.

As far as Arctic Paper is aware, there are no conflicts of interest between other members of the supervisory board, mangament board and the Company's interests.

Committees
The supervisory board has two process committees: the remuneration Committee and the audit committee. See section "Summary of certain Polish corporate governance and securities market regulations" – "Audit committee" and "Remuneration committee", respectively, for more information on tasks and rules regarding the committees.

The remuneration committee
On 3rd December 2009, the following persons were appointed to the Remuneration Committee:
- Rolf Olof Grundberg
- Fredrik Lars Plyhr

(PLN)	Remuneration (including other contributions paid by the employer) for working in Arctic Paper S.A.	Pension plan	Other benifits	Total
Management Board				
Michał Piotr Jarczyński	1,487,593	-	13,521	1,501,114
Michał Jan Bartkowiak	568,465	-	3,681	572,146
Hans Olof Karlander[1]	875,475	471,367	41,627	1,388,469
Per Skoglund	521,433	183,557	22,831	727,822
Jacek Łoś[2]	413,060	-	1,881	414,941
Supervisory Board				
Rolf Olof Grundberg	192,000	-	-	192,000
Rune Roger Ingvarsson	132,000	-	-	132,000
Thomas Onstad	102,000	-	-	102,000
Fredrik Lars Plyhr	162,000	-	-	162,000
Jan Ohlsson	102,000	-	-	102,000
Wiktorian Zbigniew Tarnawski[3]	102,000	-	-	102,000

[1] Since March 2012 no longer a member of the Managment Board.
[2] For the period of 1 July 2011 to 31 December 2011.
[3] Since June 2012 no longer a member of the Supervisory Board.

The audit committee

On 3rd December 2009, the following persons were appointed to the Audit Committee:

- Rolf Olof Grundberg
- Fredrik Lars Plyhr
- Rune Ingvarsson

Remuneration to management board and supervisory board members

The table below presents the information on total remuneration and other benefits paid or to be paid to members of the management board and Supervisory Board of the parent entity for the period from 1 January 2011 to 31 December 2011.

Agreements with management board members on financial compensation

The members of the management board are entitled to severance pay on account of termination of their employment. The severance pay corresponds to 6-24 months' salary.

Members' of management board and supervisory board holdings of securities in the Company

Members	Number of shares	Number of warrants
Management board		
Michał Piotr Jarczyński	86,450	140,000
Wolfgang Lübbert	-	10,000
Michał Jan Bartkowiak	-	45,000
Jacek Łoś	-	15,000
Per Skoglund	-	15,000
Supervisory board		
Rolf Olof Grundberg	10,312	30,000
Rune Roger Ingvarsson	-	15,000
Thomas Onstad[1]	41,479,500	15,000
Fredrik Lars Plyhr	19,000	15,000
Jan Ohlsson	-	-
Mariusz Grendowicz	-	-

None of the members of the supervisory board or the management has agreed to any restrictions on the disposal of their holdings of securities in the Company.

The Company has not issued any convertible or exchangeable securities except for the warrants issued to key employees as further described above and in section "Description of Arctic Paper" – "Share capital and ownership structure etc.".

Legal considerations and supplementary information

General

Arctic Paper is a Polish joint-stock company, established and registered in accordance with the CCC, with the corporate name Arctic Paper S.A. and with its registered office in Poznan, Poland with the address ul. J.H. Dąbrowskiego 334 A, 60-406 Poznan, Poland.

On 28 May 2008 Arctic Paper S.A. was entered in the Register of Entrepreneurs of the National Court Register maintained by the District Court in Zielona Góra, the 8th Commercial Division of the National Court Register, with registration number (KRS No) 0000306944. Arctic Paper was established on 30 April 2008 by Arctic Paper Kostrzyn S.A. on the basis of the deed of association (Rep. A No. 4517/2008) drawn up in the Notarial Office in Szczecin before Cezary Borys Potaman, notary public. The current court of registration is the district court in Poznan.

The duration of the Company is unlimited.

The Company was established and operates under Polish law.

For more information on Arctic Paper's corporate governance please see section "Summary of certain Polish corporate governance and securities market regulations".

Material Agreements

Customer agreements

Arctic Paper's customer base includes both direct and indirect customers. Direct customers directly purchase paper products and indirect customers do not themselves purchase Arctic Paper's products from Arctic Paper, but are nevertheless an important target of Arctic Paper's marketing efforts. Arctic Paper's typical customers consist of, inter alia,: (i) printing houses; (ii) wholesale warehouses; (iii) publishers; (iv) advertising agencies and (v) end users.

Customer agreements are often short term price agreements with no volume obligations.

Supply agreements

Arctic Paper has not entered into any long-term supply agreements for raw materials or other goods used in the production process, except for the natural gas supplies required for Kostrzyn. Other raw materials for paper production are purchased on the basis of orders submitted according to the production needs. Most of the pulp is supplied under renewable one-year contracts under framework agreements with specifications on quality. Arctic Paper's main groups of suppliers are: (i) the pulp production plants supplying the pulp; (ii) the chemical companies supplying dyes, whitening agents, anti-foaming agents, biocides, starch and stock size; (iii) the power companies supplying energy; (iv) transportation companies; (v) packaging manufacturers of pallets, boxes and foils; and (vi) wood suppliers (only to Mochenwangen).

Energy

Arctic Paper uses heat and power in the production process. The Kostrzyn paper mill's total demand for heat and power is satisfied from the mill's combined heat and power plant fuelled by natural gas. Gas is supplied under an agreement with a Polish supplier (PGNiG) at prices adjusted annually to reflect changes in certain industry indexes. The agreement was concluded for fixed term of 20 years from 31 March 2006. Electricity for the

[1] The securities are held by Trebruk, which is inderectly controlled by Thomas Onstad.

paper mill in Munkedal has been mainly purchased from external suppliers. Arctic Paper also purchases fuel oil in order to satisfy part of the group's demand for heat. The paper mill in Mochenwangen satisfies the total demand for heat and about half the electricity demand by using mineral coal. The remaining part of the demand for electricity is satisfied by purchasing from external suppliers. The energy source In the Grycksbo paper mill is biomass and electricity partly purchased from outside suppliers.

Financing agreements
Arctic Paper has on 6 November 2012 been granted two new credit facilities by Bank Polska Kasa Opieki S.A., Bank Zachodni WBK S.A and BRE BANK S.A, which in aggregate amount to PLN 359 million. Repayments will be made regularly, starting during 2013. PLN 59 million shall be fully repaid no later than within one year from the date of the agreement but in any case not later than 7 November 2013, and PLN 300 million shall be fully repaid within five years from the date of the agreement but in any case not later than 7 November 2017. The credit facility is subject to certain financial covenants which are linked to key ratios.

Insurances
Arctic Paper has an insurance policy covering all the subsidiaries in the group which include coverage for property and business interruption, liability of directors and officers of the group companies, general and product liability, as well as third-party liability in transport. In addition, Arctic Paper has an insurance policy covering certain risks related to some of Arctic Paper's receivables.

Arctic Paper's insurance cover is, in Arctic Paper's opinion, adequate in terms of size and scope.

Disputes
Arctic Paper is not involved in any material disputes which, in the Company's opinion, are expected to have a material adverse effect on the Company's business or financial position.

Transactions with related parties
In Arctic Paper's opinion all transactions with related parties have been made on arm's length terms. Please see sections "Description of Arctic Paper" – "Capitalization and other financial information" and "Arctic Paper financial information for 2009-2011'' for a description of related party transactions.

Intellectual property
Arctic Paper's only material registered intellectual property is its trademarks. Arctic Paper holds a large trademark portfolio. The registered trademarks or applications comprise national trademarks, community trademarks (European Union) and international registrations. Trademark registrations or applications include primarily:
(i) MUNKEN, with or without additional elements, in Sweden, Switzerland, European Union, Ukraine, USA, international registration (South Korea), China, Hong Kong, India, Austria, Germany, Denmark, United Kingdom, Italy, Norway, international registration (Switzerland), international registration (Benelux, Finland, Portugal, Spain) and international registration (Norway, Poland, Switzerland), owned primarily by Arctic Paper Munkedals AB, (ii) ARCTIC, with or without additional elements, in Sweden, Australia, Benelux, Switzerland, European Union, France, United Kingdom, Hong Kong, international registration (Austria, Cyprus, Czech Republic, Estonia, Finland, Germany, Greece, Hungary, Latvia, Lithuania, Poland, Portugal. Slovakia, Slovenia, Ukraine, South Korea), Norway, and USA, owned by primarily Arctic Paper Grycksbo AB, (iii) GPRINT/G-PRINT, with or without additional elements, in Sweden, European Union, Australia, France, international registration (Ukraine, Norway, Switzerland), New Zealand and USA, owned by Arctic Paper Grycksbo AB, (iv) AMBER with or without additional elements, in Sweden, European Union, international registration (Norway, Switzerland), Poland, Ukraine and USA, owned primarily by Arctic Paper Kostrzyn S.A., (v) L-PRINT, with or without additional elements, in Germany and European Union, owned by Arctic Paper Mochenwangen GmbH, (vi) PAMO, in Germany, European Union and international registration (Norway, Switzerland, Ukraine), owned by Arctic Paper Mochenwangen GmbH and (vii) ARCTIC PAPER (logo), in Sweden, Hong Kong, international registration (European Union, Norway, Switzerland, Ukraine, China, Turkey), USA, India, Germany, owned by Arctic Paper.

Arctic Paper holds no specific material licenses except for software used in the ordinary course of business. Arctic Paper does not currently own any patents.

Permits and environment
Arctic Paper's mills are obliged to maintain a number of environmental and/or energy licenses. As per the date of this Offer Document Arctic Paper has all necessary material licenses, consents and permits required for its operation and as far as Arctic Paper is aware, there have occurred no events which could lead to revocation of any material license or permit which is critical for Arctic Paper's operations.

Employees, collective agreements and trade unions
Arctic Paper has entered into collective agreements in Germany and Sweden, in Poland specific agreement between the employing entity and its employees exist. Moreover, Arctic Paper has implemented measures to comply with the European Works Council directive.

A substantial number of Arctic Paper's employees are members of trade unions, from a about half of the work force in Poland to almost all employees in Sweden. Arctic Paper's management considers the Company's relations with employees, and the unions representing them, as good. There have been no strikes or material collective disputes between the employees of any group companies and the management during the last three years.

German law does not permit information to be disclosed on the number of employees which are trade union members.

Information on the average number of employees in Arctic Paper for the financial years 2009, 2010 and 2011 can be found in section "Arctic Paper financial information for 2009-2011''.

Summary of certain Polish corporate governance and securities market regulations

The following section is a brief description of certain corporate governance and securities market aspects from a Polish perspective. This section is not exhaustive, detailed and may not in all aspects explain the relevant provisions presented. Therefore, the following section should not be relied upon by anybody and investors are recommended to seek legal counsel regarding Polish law from qualified Polish legal advisors should the investor need information regarding Polish law.

General

Arctic Paper conducts its activities on the basis of the CCC and other laws and regulations applicable to commercial companies and listed companies in Poland. Moreover, Arctic Paper complies with the rules provided by the Code of Best Practice for WSE Listed Companies (Po: Dobre Praktyki Spólek Notowanych na GPW).

The Polish two tier board system

Polish joint-stock companies have a two tier board system comprising the management board, which is the executive body, and the supervisory board, which is responsible for supervision of all areas of the company's activities and, among other things, appointment of auditors.

Management board

The management board manages the operations of the company and represents the company before third parties. All the members of the management board are obligated and entitled to jointly manage the affairs of the company. Pursuant to Arctic Paper's articles of association the management board should be constituted by not less than one and not more than five members.

The members of the management board are appointed and dismissed by the supervisory board for a joint term of three years. Each member of the management board may also be dismissed or suspended from his or her duties by the supervisory board or by the general meeting at any time. Reappointment of the members of the management board is allowed.

For certain actions to be taken by the management board require a management board meeting to be held, in which the management board votes regarding the action in question.

The president of the management board (a position equal to CEO) represents the company individually. Other members of the management board may represent the company jointly with another member of the management board or with an authorized representative of the company.

For information regarding the current members of Arctic Paper's management board, see section "Supervisory board, management board and auditors" – "Management board" above.

Supervisory board

The supervisory board in Arctic Paper, consisting of at least five but no more than seven members, exercises permanent supervision over all areas of the company's activities. The duties of the supervisory board include: (i) evaluating the management board's operations report as well as the annual financial report, (ii) evaluating the management board's proposals concerning the distribution of profits or the financing of losses, (iii) submitting to the general meeting annual written reports on the results of such evaluations, (iv) appointing and dismissing the members of the management board, including its president, (v) determining the remuneration of the members of the management board, (vi) appointing an auditor for the company as well as (vii) giving consent for the management board to make pre-payment of the dividend as expected at the end of the financial year.

Members of the supervisory board cannot represent the company.

The members of the supervisory board are appointed, and can be dismissed, by the general meeting. Their joint term of office for the supervisory board is three years. A group of shareholders representing at least 20% of the share capital of the company may require that the next general meeting appoints a new member of the supervisory board through so called "group voting". In case of group voting, other shareholders present at the general meeting may form "minority groups" that are entitled to elect at least one member of the supervisory board. Such minority group shall consist of shareholders representing at least the number of shares that is equal to the quotient of the number of shares present at the general meeting, and the number of members of the supervisory board. In case of Arctic Paper, the minority group must represent 1/7 of the shares present at the general meeting.

At least two members of the supervisory board should be independent in relation to the company and its major shareholders. To qualify as independent, the member shall fulfil the criteria set out in Enclosure II to the Recommendation of the European Commission dated 15 February 2005. In addition, the independent member must not (i) be an employee of the company or any associated company, or (ii) have an actual and significant relationship with any shareholder who represents at least 5% of all votes represented by all shares in the company. Certain matters, such as: (i) any benefit given, under any title, by the company or any entity associated with the company, to a member of the management board; (ii) consent for the company or any of its subsidiaries to enter into a significant agreement with an entity associated with the company, a member of its supervisory board or management board, or any entity associated with these entities or persons, other than contracts entered into as part of the company's normal business, on the ordinary terms and conditions used by the company; (iii) appointment of an auditor to audit the company's financial statement, may not be adopted by the supervisory board unless supported by at least one independent member.

For information regarding the current members of Arctic Paper's supervisory board, see section "Supervisory board, management board and auditors" – "Supervisory board" above.

Audit committee
Polish listed companies with a supervisory board comprising more than five members, should have an audit committee.

The members of the audit committee are appointed by the supervisory board from among the members of the supervisory board. The Company's audit committee consists of three members. It is required by law that at least one member of the audit committee is independent and has qualifications in respect of accounting or financial auditing.

Polish law does not allow committees of the supervisory board to represent the company externally. The audit committee performs advisory and opinion-giving functions with respect of audit of the company, an auditor as well as financial statements and operates collectively as part of the company's supervisory board. The tasks of the audit committee is monitoring of (i) the financial reporting process, (ii) effectiveness of internal control and audit systems and risk management, (iii) the performance of financial audit functions, (iv) independence of the auditor and the auditing firm.

For information regarding the current members of Arctic Paper's audit committee, see section "Supervisory board, management board and auditors" – "Committees" above.

Remuneration committee
Pursuant to the Code of Best Practice for WSE Listed Companies, companies listed on WSE should have a remuneration committee. The remuneration committee should be composed of at least two supervisory board members.

The remuneration committee performs advisory and opinion-giving functions, and acts as part of the company's supervisory board and for internal benefit only. The tasks of the remuneration committee include presenting motions, opinions, recommendations, and reports to the supervisory board related to remuneration policy, bonus policy and other issues related to remuneration of employees and members of the supervisory board and the management board.

For information regarding the current members of Arctic Paper's remuneration committee, see section "Supervisory board, management board and auditors" – "Committees" above.

General meeting
Pursuant to the CCC the following matters must be resolved upon by the general meeting:

- consideration and approval of the management board's operations report and the annual financial report for the previous financial year;
- granting approval of the supervisory board members' and the management board members' performance of their duties;
- decision regarding distribution of profits or the financing of losses;
- changes to the scope of the company's business;
- amendments of the articles of association;
- increase or decrease of the share capital;
- merger of the company with another company or companies, division of the company or transformation of the legal form of the company;
- change into other legal form; dissolution and liquidation of the company;
- decisions concerning claims for redress of damage caused at the establishment of the company or in the course of management or supervision;
- transfer or tenancy of the going concern (i.e. all assets required to run business activity) or its organized part and the creation of a limited right in rem on them;
- acquisition and transfer of real estate or a part of real estate and the right to perpetual usufruct, unless the articles of association provide otherwise;
- issuance of convertible bonds or bonds with the right of priority, and issuance of subscription warrants;
- acquisition of the company's own shares as well as authorization to the management board to acquire such shares;
- conclusion of a management contract between a parent company and a subsidiary.

Arctic Paper's annual and extraordinary general meetings shall be held in Poznań, Poland or in Warsaw, Poland.

Resolutions may not be adopted on matters not included in the published agenda.

Convening a general meeting
The general meeting is to be convened by the management board. The supervisory board may convene the annual general meeting should the management board fail to convene and hold such meeting prior to the end of June, and the extraordinary general meeting, should it deem it desirable. Shareholders representing at least half of the share capital or at least half of the total number of the votes in the company may also, by themselves, convene an extraordinary general meeting. A shareholder or shareholders representing at least 1/20 of the share capital may request that an extraordinary general meeting shall be convened, as well as that certain matters shall be put on the agenda of that general meeting. The request to convene the general meeting or to include certain matters in the agenda may be delivered in written or electronic form (email, fax). If an extraordinary general meeting is not convened within two weeks of the submission of the request to the management board or if the request to include a certain matter in the agenda (delivered not later than 20 days before the scheduled date of meeting) is not accordingly accepted, the registry court may authorize the shareholders who have submitted the request to convene the extraordinary general meeting themselves.

A general meeting is convened by an announcement published on the company's website jointly with publication of relevant current report in accordance with the provisions of the Polish Act on Public Offering (Po: *ustawa z dnia 29 lipca 2005 r. o ofercie publicznej i warunkach wprowadzania instrumentów finansowych* *do zorganizowanego systemu obrotu oraz o spółkach publicznych*). The announcement shall be made at least 26 days prior to the date of the general meeting.

Annual general meeting
The annual (ordinary) general meeting shall be held within six months from the end of each financial year.

The agenda of the annual general meeting shall include: (i) consideration and approval of the management board's annual report and the annual financial report (both standalone and consolidated), (ii) adoption of a resolution on the distribution of profits or the financing of losses (standalone), and (iii) granting of approval of the supervisory board members' and the management board members' performance of their duties. Other matters may be resolved upon by the annual general meeting if they have been included in the published agenda.

Eligibility to participate in general meeting
The following description is applicable on shareholders which are entitled under dematerialized bearer shares, which all shares in Arctic Paper are.

Generally, shareholders of a listed company that are shareholders on the end of the trading day which occurs 16 calendar days prior to the date of the general meeting (the so called "record day") have the right to participate in the general meeting.

With respect to the shareholders that will have their shares registered in Sweden, the list of beneficiary shareholders prepared and delivered to the Company by Euroclear Sweden (Sw: *stämmoaktiebok*) will be sufficient proof of eligibility to participate in the general meeting. Hence, shareholders of Rottneros accepting the Share Alternative of the Offer, does not need to take any further actions to be eligible to participate in Arctic Paper's general meeting, than what is required to be eligible to participate in the general meeting of a Swedish listed company. Shareholders having their shares registered in Poland will need to apply to their respective depositaries or custodians to register them in accordance with the Polish regulations. Pursuant to Arctic Paper's articles of association, participation in the general meeting by proxy is allowed. The power of attorney authorizing the proxy to represent the shareholder can be issued in writing or electronically.

Voting at general meeting
To vote at the general meeting the shareholders must (i) be eligible to participate in the general meeting according to the above section; and (ii) sign the attendance list at the general meeting.

Unless the CCC or the company's articles of association provide otherwise, resolutions of the general meeting are adopted by more than half of the votes cast[1]. Adoption of certain resolutions like issue of convertible bonds, bonds with warrants and warrants as well as any amendments to the articles of association, redemption of shares, reduction of the share capital, transfer of the going concern or its organized part, and dissolution of the company, are adopted by a majority of 3/4 of the votes cast. If at least half of the share capital is represented at the general meeting, a simple majority of votes is sufficient for the adoption of a resolution on redemption of shares. A resolution granting consent for the company to finance an acquisition or subscription of own shares is adopted by a majority of 2/3 of the votes. However, in case at least half of the share capital is represented at the general meeting, more than half of the votes cast are sufficient for adoption of the resolution. Dissolution of the company in case of qualified amount of losses that may endanger the existence of the company requires absolute majority at presence of at least half of the share capital.

A resolution regarding a material change of the scope of the company's business requires (i) adoption of the resolution in this respect with 2/3 majority of the votes cast and (ii) allowing buy-out of non-consenting shareholders.

Actions against resolutions by the general meeting
A resolution of the general meeting in breach of the articles of association or good practice, which harms the interests of the company or is aimed at harming a shareholder, can be declared annulled if challenged. A resolution by the general meeting which is in breach of law can be declared invalid if challenged. The claim shall be raised before the relevant district court (as regards Arctic Paper, the District Court in Poznan).

A shareholder is entitled to raise a claim if he or she: (i) while present at the general meeting and allowed to vote, voted against the resolution and requested that his or her objection was recorded in the minutes (the voting requirement does not apply to non-voting shares); or (ii) was not allowed to participate in the general meeting; or (iii) while not present at the general meeting, the general meeting was not duly convened or the resolution in question was not included in the agenda.

There are strict time limits to file these claims in the relevant court.

Disclosure obligations regarding shareholdings
Pursuant to the Polish Act on Public Offering a shareholder whose holding:

1. has reached or exceeded 5%, 10%, 15%, 20%, 25%, 33%, 33 1/3%, 50%, 75% or 90% of the total number of votes in a listed company; or
2. was at least 5%, 10%, 15%, 20%, 25%, 33%, 33 1/3%, 50%,75% or 90% of the total number of votes in a listed company, and as a result of disposal of shares, is 5%, 10%, 15%, 20%, 25%, 33%, 33 1/3%, 50%,75% or 90% or less of the total number of votes, respectively;

is obliged to notify the Polish Financial Supervision Authority (Komisja Nadzoru Finansowego) and the company of the fact immediately, but no later than within four business days from the date on which the shareholder becomes, or by exercising due diligence could have become, aware of the change in his proportion of the total number of votes. In case of a change resulting from an acquisition of shares of a listed company in a

[1] This is defined in the CCC as "absolute majority of votes", which, however, is not to be confused with the concept of absolute majority, which generally refers to a majority of all voters, not just those who voted.

transaction on a regulated market, the notification shall take place no later than within six trading days from the transaction date. The term trading days is specified in the rules of WSE, in accordance with the provisions of the Polish Act on Trading in Financial Instruments, and announced by the Polish Financial Supervision Authority by way of publication on the Polish Financial Supervision Authority's website.

The notification requirement applies also to a shareholder who:

1. held over 10% of the total number of votes and this proportion has changed by at least:
   - 2% of the total number of votes – if the company is a listed company whose shares have been admitted to trading on the official stock-exchange listing market (which applies to Arctic Paper), or
   - 5% of the total number of votes – if the company is a listed company whose shares have been admitted to trading on a regulated market other than the one specified in (a) above; and
2. held over 33% of the total number of votes and this share has changed by at least 1%.

The requirement to notify the Polish Financial Supervision Authority and the listed company in question does not arise if, upon the settlement in the depository for securities of a number of transactions executed on a regulated market on a single day, the change in the proportion of the total number of votes in the listed company at the end of the settlement day does not result in reaching or exceeding any threshold which triggers the obligations referred to above.

Disclosure obligation for a dominant shareholder
If a company which is a shareholder in another company becomes a "dominant company" (subject to the definition in the CCC), such shareholder is obliged to notify the company of this dominant relationship within two weeks of its establishment. If the shareholder omits to notify the company in time, the voting rights attached to the shareholder's shares representing more than 33% of the share capital, shall be suspended. A general meeting resolution adopted in breach of the provisions in the CCC relating to notification of dominant relationship is invalid, unless it satisfies the requirements on quorums and a voting majority irrespective of the invalid votes. The company that is no longer the dominant company in relation to the company is obliged to give notification of the conclusion of such dominant relationship.

Issue of new shares
Polish law reserves the right to: (i) issue new shares; (ii) authorize the management board to issue new shares (only up to 3/4 of the number of existing and outstanding shares); (iii) issue subscription warrants, bonds with warrants and convertible bonds to the general meeting. A resolution in respect of any of those matters is to be adopted with 3/4 majority of votes cast, however, if the existing shareholders are to be deprived of their preemption rights, such resolution requires 4/5 majority of votes cast. Issue of bonus shares is allowed and is also to be resolved upon by the general meeting.

Dividends and other distribution of profit
Declaration of dividend is reserved to the annual general meeting. The dividend is based on the standalone financial statement of the company. The dividend may be financed from the profits only, including the reserve funds and capitals financed from profits. The general meeting may create reserve funds to finance dividends. The management board may – with consent of the supervisory board – make pre-payment of the dividend as expected at the end of the financial year.

The dividend is distributed through KDPW. As regards the shareholders having their shares registered in Sweden; the dividend will be distributed via KDPW and Euroclear.

Mandatory offers and thresholds
The following section describes mandatory public tender offers pursuant to the Polish Act on Public Offering.

5% and 10% thresholds
In case of a shareholder holding less than 33% of the total number of votes in a listed company, performs an acquisition of shares in the company, which increases the shareholder's proportion of the total number of votes in the company by more than 10%, within a period shorter than 60 days, such acquisition may be done only by way of a public tender offer, with consideration in cash or in shares, regarding shares representing not less than 10% of the total number of votes in the company.

In case of a shareholder holding 33% or more of the total number of votes in a listed company, performs an acquisition of shares in the company, which increases the shareholder's proportion of the total number of votes in such company by more than 5% within a period shorter than 12 months, such acquisition may be done only by way of a public tender offer, with consideration in cash or in shares, regarding shares representing not less than 5% of the total number of votes in the company.

The obligations regarding public tender offers resulting from exceeding the 5% and 10% thresholds do not apply if the shareholder acquires shares in an initial public offering, through a non-cash contribution or as a result of a merger or demerger of a company.

Protection of minority shareholders in case of change of control
Polish law provides for two strict and formal thresholds which trigger an obligation to announce a public tender offer for shares, applicable for a shareholder that obtains or is willing to obtain a large stake of shares in the company. The lower of the thresholds is 33% of the votes in the company, and the higher is 66% of the votes in the company. It shall be noted that only triggering of the 66% threshold is connected with an obligation to make a public tender offer for all outstanding shares in the company.

33% threshold
A shareholder holding less than 33% of the shares in the company, and who desires to increase his holding to reach or exceed 33%, may, generally, only be allowed to do so by presenting a public tender offer for 66% of

all outstanding shares in the company. However, due to a number of exceptions and the possibility to indirect purchase of shares by purchasing shares in an entity or entities holding more than 33% of the shares in the company, such purchaser, before executing any rights deriving from the shares, shall announce a public tender offer for 66% of the shares or sell the shares in order to diminish the number of shares held to below the 33% threshold. The Polish Act on Public Offering defines the minimum price that is to be offered to the shareholders.

66% threshold
The general rule requires the purchaser to achieve or pass the threshold of 66% only by way of presenting a public tender offer for 100% of the outstanding shares in the company and applies accordingly. The number of possible exceptions is limited and the purchaser cannot avoid announcing the public tender offer for all the outstanding shares by selling or otherwise decreasing the number of shares held. The Polish Act on Public Offering provides for minimum price to be offered to the shareholders.

Corporate groups and parties acting in concert
The limitations and restrictions regarding the acquisition of material stakes in a company are applicable to entities under control or common control that may be deemed to be one entity in this respect as well as parties acting in concert. Similarly, mutual funds or other entities under the same management are deemed to be one entity. The Polish concept of acting in concert does not necessarily refer to the aim of executing influence over the management of the company. Therefore, any cooperation between purchasers of shares may be qualified, by the Polish authorities, as a situation of acting in concert. Parties who are regarded as acting in concert in any regard are subsequently deemed to be one entity, and their shareholdings are aggregated in relation to the abovementioned thresholds.

Shareholders contemplating to acquire a large number of shares or have holdings close to any of the above thresholds are strongly recommended to seek professional advice.

Compulsory squeeze-out and sell-out of shares
Squeeze-out of shares
A shareholder in a listed company that, either on its own or together with its corporate group or together with parties with whom the shareholder is acting in concert, holds 90% or more of the total number of votes in such listed company, may demand, within three months of reaching or exceeding the threshold, that the remaining shareholders sell, to the major shareholder, all the shares held by them.

The squeeze-out price is determined by law and may not be lower than the price proposed in the last public tender offer for all outstanding shares in the company.

Sell-out of shares
A minor shareholder in a listed company may demand that a shareholder, or several shareholders acting in concert, together holding 90% or more of the votes in the company, acquires the shares it holds. This demand shall be satisfied jointly by the shareholder that reached 90% or more of the total number of votes and by its subsidiaries and dominant entities within 30 days of the submission of such request. The obligation to acquire the shares is borne jointly and severally by parties acting in concert. A shareholder requesting sell-out of shares on the basis specified above is entitled to be offered a price not lower than that determined by law and not lower than the price offered in the last public tender offer for all outstanding (i.e. 100%) shares in the company.

Arctic Paper's articles of association

Current articles of association
Below is an English translation of the current articles of association, which is an unofficial in-house translation of the original registered Polish version. In the case of any discrepancy between the language versions, the Polish version shall prevail.

ARTICLES OF ASSOCIATION OF ARCTIC PAPER S.A.
(the "Company")

CHAPTER I
GENERAL PROVISIONS

ARTICLE 1
1.1 The name of the Company is: "ARCTIC PAPER" Spółka Akcyjna (joint-stock company).
1.2 The Company may use the short name: "Arctic Paper" S.A.
1.3 The Company's registered office is in Poznań.

ARTICLE 2
2.1 The duration of the Company is unlimited.

ARTICLE 3
3.1 The Company operates in the territory of the Republic of Poland and abroad.
3.2 The Company performs its business in accordance with the provisions of the Commercial Companies Code (Kodeks spółek handlowych) and other valid legal regulations.

CHAPTER II
SCOPE OF THE COMPANY'S BUSINESS

ARTICLE 4
4.1 The Company's scope of activity comprises:
1) Production of paper and cardboard (PKD 17.12.Z);
2) Production of electricity (PKD 35.11.Z);
3) Transmission of electricity (PKD 35.12.Z);
4) Distribution of electricity (PKD 35.13.Z);
5) Production and supplies of steam, hot water and air for air-conditioning systems (PKD 35.30.Z);

6) Water intake, treatment and supply (PKD 36.00.Z);
7) Activities of financial holdings (PKD 64.20.Z);
8) Activities of head offices and holdings, excluding financial holdings (PKD 70.10.Z);
9) Other business operations and management consulting (PKD 70.22.Z);
10) Consultations related to Information Technology (PKD 62.02.Z);
11) Activities associated with computer equipment management (PKD 62.03.Z);
12) Installation of industrial machines, equipment and accessories (PKD 33.20.Z);
13) Lease and administration of owned and leased real estates (PKD 68.20.Z);
14) Engineering activities and related technical consulting (PKD 71.12.Z);
15) Rental and lease of other machines, equipment and tangible assets, not classified elsewhere (PKD 77.39.Z).

4.2 If a permission or concession is required to engage in particular business activities, the Company shall not undertake such activities until such permission or concession has been obtained.

CHAPTER III
SHARE CAPITAL OF THE COMPANY, FOUNDERS

ARTICLE 5

5.1 The Company's share capital amounts to PLN 55,403,500 (fiftyfive million four hundred three thousand five hundred Polish Złoty) and is divided into:
5.1.1 50,000 (fifty thousand) series A ordinary bearer shares;
5.1.2 44,253,500 (forty four million two hundred fifty three thousand five hundred) series B ordinary bearer shares;
5.1.3 8,100,000 (eight million one hundred thousand) series C ordinary bearer shares;
5.1.4 3,000,000 (three million) series E ordinary bearer shares.
5.2 The nominal value of each share is PLN 1.00 (one Polish Złoty).
5.3 Shares of series A, B, C and E were paid up in full with cash.
5.4 Each share entitles to one vote at the General Meeting.
5.5 (repealed)
5.6 The Management Board is authorized to execute one or more increases of the share capital by not more than PLN 120,000,000 (one hundred twenty million Polish Złoty) by issuing not more than 12,000,000 (twelve million) ordinary bearer shares ("Authorized Share Capital") as follows:
a) The Management Board may exercise its right by one or several share capital increases up to the amount of the Authorized Share Capital;
b) the authorization granted by this section is valid for up to three years, commencing upon entry of the amended Articles of Association in the register; through amendment of this Article 5.6;
c) shares issued within the Authorized Share Capital can be paid for with cash or consideration in kind;
d) the issue price of shares issued within the Authorized Share Capital will be determined by the Management Board in a resolution on increase of the share capital under this authorization; and consent of the Supervisory Board will not be required, subject to the provisions of item (g);
e) a resolution adopted by the Management Board based on the authorization granted in this article replaces a resolution by the General Meeting on increase of the share capital;
f) the Management Board controls all matters relating to increase of the share capital within the Authorized Share Capital, subject to the provisions of this Article 5.6;
g) subject to the Supervisory Board's consent the Management Board is authorized to issue shares against consideration in kind; determination by the Management Board of the issue price against consideration in kind is subject to the Supervisory Board's consent;
h) subject to the Supervisory Board's consent, the Management Board is authorized to deprive the existing shareholders of their pre-emptive right in full or in part.

5.7 Conditional increase of share capital
5.7.1 The nominal value of conditional share capital increase is PLN 15,000,000 (fifteen million Polish Złoty) divided into ordinary bearer shares of D series with nominal value of PLN 10 each;
5.7.2 The objective of the conditional share capital increase is granting of the right to acquire series D shares to holders of series A subscription warrants issued by the Company pursuant to resolution number 4 of the Extraordinary General Meeting held on July 30, 2009 and the resolution of the Ordinary General Meeting of June 8, 2010.
5.7.3 The right to acquire series D shares must be exercised by December 31, 2013.

ARTICLE 6

The exclusive founder of the Company is Arctic Paper Kostrzyn S.A. joint stock company with its registered office in Kostrzyn nad Odra.

ARTICLE 7

7.1 The Company's share capital may be increased through issuance of new shares or an increase of the nominal value of existing shares.
7.2 An increase of the Company's share capital may be performed in exchange for cash consideration or consideration in kind.
7.3 The Company's share capital may be decreased subject to the terms and conditions imposed by virtue of a resolution adopted by the General Meeting.
7.4 The Company may issue new bearer shares or registered shares. The new shares may be paid for with cash or consideration in kind.
7.5 The registered shares may be converted into bearer shares. Conversion must be performed by the Management Board at a request from the shareholder.
7.6 Bearer shares may not be converted into registered

shares.

7.7 Shares may be redeemed by way of purchase by the Company (voluntary redemption) on conditions specified in a resolution by the General Meeting, adopted by a majority of 2/3 [1] (two thirds) of votes and with consent from the shareholder whose shares are to be redeemed. Shares are redeemed by way of decrease of the share capital.

CHAPTER IV
COMPANY'S BODIES

ARTICLE 8

The Company's corporate bodies are:
a) the Management Board;
b) the Supervisory Board;
c) the General Meeting.

THE MANAGEMENT BOARD

ARTICLE 9

9.1 The Management Board consists of one to five members, including the President of the Management Board.
9.2 The Management Board is appointed and recalled by the Supervisory Board for a joint term of office.
9.3 The term of office for the Members of the Management Board is three years.
9.4 (repealed)

ARTICLE 10

10.1 The President of the Management Board shall summon the meetings of the Management Board and chair the meetings.
10.2 The Management Board adopts its resolutions by majority of votes cast. Resolutions are invalid unless at least a half of all members of the Management Board are present at the meeting. If the numbers of votes for and against are equal, the President of the Management Board has the decisive vote.
10.3 The detailed rules of operation of the Management Board are set out in the Management Board By-laws adopted by the Supervisory Board.

ARTICLE 11

11.1 The Management Board manages the Company's affairs and represents the Company.
11.2 If the Company's Management Board consists of more than one person, statements can be made on behalf of the Company by the President of the Management Board acting independently, or by two members of the Management Board acting jointly, or by one member of the Management Board acting jointly with an authorized representative (Po: *prokurent*).

THE SUPERVISORY BOARD

ARTICLE 12

12.1 The Supervisory Board consists of five to seven members appointed by the General Meeting for a joint term of office.
12.2 The members of the Supervisory Board are elected to remain in office for three years. The members of the Supervisory Board may be appointed for successive terms.
12.3 A member of the Supervisory Board may be recalled at any time.
12.4 From the time when the General Meeting adopted the resolutions constituting the basis to conduct a first public issuance of shares and to introduce the Company's shares to trading on stock exchange, two members of the Supervisory Board should be independent. Independence of members of the Supervisory Board shall be judged based on the criteria set out in Enclosure II to the Recommendation of the European Commission dated February 15, 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board, wherein the independent member must not be an employee of the Company, or any of its subsidiaries or affiliates, or enter into any actual and significant relationships with any shareholder of the Company eligible to execute 5% or more of the total number of votes represented by all shares.
12.5 In case an independent member of the Supervisory Board has been appointed, resolutions regarding the following matters may not be adopted without consent of at least one independent member of the Supervisory Board:
a) any benefit given under any title by the Company or any entity associated with the Company, to a member of the Management Board;
b) consent for the Company or any of its subsidiaries to enter into a significant agreement with an entity associated with the Company, member of its Supervisory Board or Management Board, or any entity associated with these entities, other than contracts entered into as part of the Company's normal business, on the ordinary terms and conditions used by the Company;
c) appointment of an auditor to audit the Company's financial statement.
12.6 Any persons who fail to satisfy the independence criterion referred to in Article 12.4 above may be elected as a member of the Supervisory Board and the number of such persons may be greater than stipulated in Article 12.4, if the number of elected persons meeting the independence criterion is smaller than stipulated in Article 12.4 above and vacancies exist on the Supervisory Board.
12.7 For the avoidance of doubt it is assumed that the loss of independence of a member of the Supervisory Board and the lack of appointment of an independent member of the Supervisory Board does not invalidate decisions made by the Supervisory

[1] Please note that the majority requirement pursuant to the CCC is 3/4 (three fourths) of the votes cast, and is applicable in Arctic Paper even though the articles of association states otherwise.

Board. If an independent member of the Supervisory Board ceases to be independent during his or her period in office, his mandate shall not become invalidated or expired.

ARTICLE 13

13.1 Either the Chairman or, in his absence, the Vice Chairman of the Supervisory Board shall summon and chair the meetings of the Supervisory Board.

13.2 The Chairman of the Supervisory Board shall summon a meeting of the Supervisory Board at a written request of the Management Board or a member of the Supervisory Board.

13.3 Resolutions of the Supervisory Board cannot be adopted, unless all members of the Supervisory Board have been notified about the meeting by registered mail, telefax or email, sent at least 15 days in advance of the meeting, and the majority of members of the Supervisory Board are present at the meeting. Resolutions can be adopted without formal summon, if all members of the Supervisory Board agree to vote with regard to a particular matter or accept the contents of a resolution, which is to be adopted.

ARTICLE 14

14.1 The Supervisory Board adopts its resolutions by simple majority of votes cast. If the numbers of votes for and against are equal, the Chairman of the Supervisory Board has the decisive vote.

14.2 The Supervisory Board may adopt a resolution using written procedure, if all members of the Supervisory Board have been notified about the contents of the draft resolution, subject to article 388 § 4 of the Commercial Companies Code.

14.3 The Supervisory Board may adopt resolutions using means allowing all members to communicate directly over distance, if all members of the Supervisory Board have been notified about the contents of the draft resolution, subject to article 388 § 4 of the Commercial Companies Code.

14.4 Members of the Supervisory Board may participate in adopting resolutions by the Supervisory Board by casting votes in writing through another member of the Supervisory Board. Written votes cannot be cast in voting concerning a matter put on the agenda at the meeting of the Supervisory Board.

14.5 The detailed rules of operation of the Supervisory Board are set out in the By-laws of the Supervisory Board, adopted by the General Meeting.

ARTICLE 15

15.1 The Supervisory Board supervises the Company's activities, reviews its accounts and accounting ledgers at any time, and performs assessments of the Company's financial situation.

15.2 The duties of the Supervisory Board include, in particular:

a) to evaluate the Company's financial statements;

b) to evaluate the Management Board's statements of the Company's activities and the Management Board's requests regarding distribution of profits and coverage of losses;

c) to submit to the General Meeting annual written statements of the results of the above assessments;

d) to appoint and recall the Members of the Management Board, including its President, and to determine the remuneration of the Members of the Management Board;

e) to appoint an auditor for the Company; and

f) to give its consent for the Management Board to pre-payment against the dividend expected as at the end of the financial year.

15.3 Members of the Supervisory Board perform their duties in person.

THE GENERAL MEETING

ARTICLE 16

16.1 The General Meeting shall be held either in the Company's registered office or in Warsaw.

16.2 A General meeting may be ordinary or extraordinary.

16.3 An Ordinary General Meeting should be held no later than six months after the end of each financial year.

ARTICLE 17

17.1 A General Meeting is opened by the Chairman of the Supervisory Board or a person indicated by him, after which the Chairman of the General Meeting is elected.

17.2 The voting is open, unless any of the shareholders demands secret voting or it is required by the Commercial Companies Code.

17.3 Unless the Commercial Companies Code or the Company's Articles of Association provide otherwise, the resolutions of the General Meeting are adopted by a simple majority of votes cast.

ARTICLE 18

18.1 The following matters fall within the exclusive competencies of the General Meeting:

(a) examination and approval of the Management Board's statement of the Company's activities and the Company's financial statement for the previous financial year;

(b) acknowledgment of performance of duties by the Management Board and Supervisory Board members duties;

(c) decisions regarding distribution of profit or coverage of losses;

(d) change of the scope of the Company's business activity;

(e) amendment of the Company's Articles of Association;

(f) increase or decrease of the Company's capital;

(g) merger of the Company with another company or companies, division of the Company or transformation of the Company;

(h) dissolution and liquidation of the Company;

(i) emission of convertible bonds or bonds with pre-emption rights and issuance of subscription

warrants;
(j) purchase and sale of real estate;
(k) disposal and lease of an enterprise or any organized part thereof and establishment of a limited property right thereupon; and
(l) any and all other matters, for which the present Articles of Association or the Commercial Companies Code require a resolution of the General Meeting.

18.2 The detailed rules of operation of the General Meeting are set out as the By-laws of General Meeting, adopted by the General Meeting.

CHAPTER V
THE COMPANY'S OPERATIONS

ARTICLE 19

19.1 The Company's accounts and reporting shall be managed in accordance with Polish regulations.
19.2 The Company's financial year is the calendar year.
19.3 Regardless of the supplementary capital, which is increased by at least 8% of total profits for the specific financial year, until it reaches at least one-third of share capital, the Company may also create other capital to cover particular losses or expenses, including funds for payment of future dividends (reserve capital).

ARTICLE 20

(cancelled)

ARTICLE 21

21.1 If the Company has the status of a public company, the Ordinary General Meeting shall specify the date, as upon which the list of shareholders eligible for dividend for a given financial year is drawn up (the day of dividend) and the date of payment of such dividend.
21.2 The day of dividend may be set on the date of adopting a resolution or within three months from that day.
21.3 Subject to the legal regulations, the Company's Management Board is authorized to make pre-payment against the dividend expected as at the end of the financial year, to the shareholders of the Company.

CHAPTER VI
FINAL PROVISIONS

ARTICLE 22

22.1 The Company's notices which are required to be published subject to the legal regulations, shall be published in Monitor Sądowy i Gospodarczy (Court and Economic Monitor).
22.2 The official language of the Company is the Polish language.
22.3 In case of liquidation of the Company, the General Meeting shall appoint liquidators of the Company and determine the method of liquidation.
22.4 The competencies of the members of the Management Board expire on the date indicated in the resolution of the General Meeting on the appointment of liquidators.
22.5 The General Meeting and the Supervisory Board retain their powers until the liquidation is completed.
22.6 Copies of this deed can be given also to the Company and its new shareholders.

Proposed changes of the articles of association

The below amendments are expected to be adopted by the general meeting in Arctic Paper that is convened for purposes of approving the Offer and to issue shares in conection with the Offer. The amendments below are made with the purpose to, among other things, issue warrants to Nemus Holding in exchange for Nemus Holding lending its shares to the Company to be delivered as consideration in the Offer.

New items 16) and 17) in article 4:

16) Wholesale trade services of other intermediate products (46.76.Z);
17) Non-specialized wholesale trade services (46.90.Z).

Amendment of article 5:

5.6 (Repealed)
5.7 The nominal value of the conditional increase of the share capital of the Company will not exceed PLN 30,061,464 (in words: thirty million sixty one thousand four hundred sixty four zloty and will be divided into:
1) 1,500,000 (one million five hundred thousand) ordinary bearer shares series D with a nominal value of PLN 1 (one zloty) each,
2) no more than 28,561,464 (twenty eight million five hundred sixty one thousand four hundred sixty four) ordinary bearer shares of series F with a nominal value of PLN 1 (one zloty) each.

5.8 The purpose of the conditional share capital increase is:
1) granting a right to subscribe for series D shares to the holders of series A subscription warrants issued by the Company pursuant to Resolution no. 4 of the Extraordinary General Meeting of the Company of July 30, 2009 and the resolution of the Extraordinary General Meeting of the Company of June 8, 2010, amended by resolution no. 30 of the Ordinary General Meeting of the Company of June 28, 2012,
2) granting a right to subscribe for series F shares to the holders of series B subscription warrants issued by the Company pursuant to resolution no. 4 of the Extraordinary General Meeting of the Company of December 3, 2012.

5.9 The holders of series B subscription warrants issued by the Company pursuant to Resolution no.4 of the Extraordinary General Meeting of the Company of December 3, 2012 will be authorized to subscribe for series F shares.
5.10 The right to subscribe for series D shares can be exercised until December 31, 2013.
5.11 The holders of series B subscription warrants, referred to in section 5.8 item 2) of these articles of association will be entitled to exercise the right to subscribe for the series F shares until June 30, 2013.

5.12 Series D and series F shares shall be issued against cash contributions.

Amendment of article 16:
1) The General Meetings will be held at the registered office of the Company or in Warsaw.
2) General Meetings can be ordinary or extraordinary.
3) The Ordinary General Meeting must be held within six months after the end of each financial year.

Amendment of article 17:
1) The General Meeting will be opened by the Supervisory Board Chairman or the person appointed by the Chairman, and thereafter the Chairman of the General Meeting will be appointed.
2) Voting will be open unless any of the shareholders requests secret voting or such voting is required by the provisions of the Commercial Companies Code. If the Commercial Companies Code stipulates voting by name, the request for secret voting will be ineffective.
3) Unless the Commercial Companies Code or the articles of association of the Company stipulate otherwise, the resolutions of the General Meeting shall be adopted by an absolute majority of votes.
4) Commencing on January 1, 2014, the shareholders can participate in the General Meeting with the use of means of electronic communication.
5) Prior to January 1, 2014, the Management Board may adopt a resolution on making it possible for the shareholders to participate in the General Meeting with the use of means of electronic communication.
6) The Management Board of the Company shall be authorized to specify the detailed rules for this manner of participation of the shareholders at the General Meeting, including the requirements and limitations necessary to identify the shareholders and ensure safety of electronic communication.

Auditor's report regarding historical financial information

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INDEPENDENT AUDITOR'S OPINION

To the Supervisory Board and Shareholders' Meeting of Arctic Paper S.A. ('the Company')

For the purpose of this Offer Document and in accordance with the requirements of the Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements ('the Regulation'), we have audited as presented herein, the historical consolidated financial information of the Arctic Paper S.A. Capital Group ('the Group'), in which the Company is the holding company, which comprise the consolidated income statement, the consolidated statement of comprehensive income for the years ended 31 December 2009, 31 December 2010 and 31 December 2011, consolidated statement of financial position as at 31 December 2009, 31 December 2010 and 31 December 2011, the consolidated cash flow statement and the consolidated statement of changes in equity for the years ended 31 December 2009, 31 December 2010 and 31 December 2011, and the summary of accounting policies and other explanatory notes ("the attached historical consolidated financial information").

Management's Responsibility for the Attached Historical Consolidated Financial Information

The Company's Management is responsible for the preparation and fair presentation of the attached historical consolidated financial information in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, maintenance of appropriate consolidation documentation and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the attached historical consolidated financial information based on our audit. We conducted our audit of the attached historical consolidated financial information in accordance with International Standards on Auditing.
Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the attached historical consolidated financial information are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the historical consolidated financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the historical consolidated financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the historical consolidated financial information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of Group entities. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's Management, as well as evaluating the overall presentation of the attached historical consolidated financial information.

2

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the attached historical consolidated financial information present fairly, in all material respects, the financial position of the Group as at 31 December 2009, 31 December 2010 and 31 December 2011 and its financial performance and cash flows for the years ended 31 December 2009, 31 December 2010 and 31 December 2011 in accordance with International Financial Reporting Standards as adopted by the European Union.

Ernst & Young Audit sp. z o.o.

Warsaw, 5th November 2012

Description of Rottneros

Rottneros produces market pulp, i.e. paper pulp that is sold on the open market, in contrast to pulp that is produced at mills with integrated paper production. Rottneros has an annual production capacity of just below 400,000 tonnes of pulp, produced at two mills in Sweden. In 2011 Rottneros employed around 300 people, the majority in Sweden and had sales amounting to approximately SEK 1.5 billion. Rottneros' shares have been listed on what is now NASDAQ OMX since November 1987.

Business overview

Business model

Rottneros operates in the pulp market and is a global supplier of bleached and unbleached long fiber chemical pulp as well as mechanical CTMP and groundwood pulp.

Pulp is produced at two Swedish pulp mills: Vallvik Mill produces long fiber chemical bleached sulphate pulp and long fiber chemical unbleached pulp while Rottneros mill manufactures mechanical CTMP pulp and groundwood pulp. The mills are independent profit centers and have their own sales organizations.

Objective and strategy

Rottneros has a number of overall objectives for its operational activities aimed at generating a competitive return for shareholders over the course of a business cycle through growth in value and dividend yield. In order to achieve this objective, Rottneros needs to create added value for its customers as well as be an attractive employer and competitive producer.

One of Rottneros' objectives is growth. In order to create the preconditions for growth, Rottneros works according to two main strategies:

- Rottneros is looking for development opportunities to strengthen its existing pulp operation through strategic alliances in Sweden and abroad. Rottneros is preparing for a possible entry into related activities where the group's knowledge of pulp refining is used and represents a precondition and where there are also clear synergy effects. One step in this development is that the group is running projects in cooperation with industrial and financial partners which are intended to lead to the production of high-refined biofuel at both mills.

Another objective is for Rottneros to gradually lay the foundation for a less volatile earnings trend over the course of a business cycle by focusing increasingly on more specialized grades of pulp.

Financial objectives

Rottneros has defined a number of financial objectives. These are:

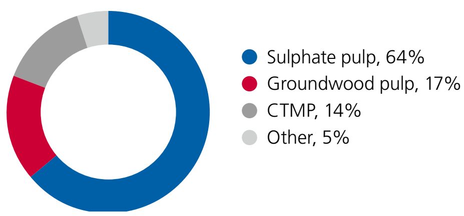
- profitability (measured as return on capital employed) that exceeds the profitability for comparable pulp producing companies;
- a debt/equity ratio of no more than 0.4 times shareholders' equity.

Products and units

Rottneros mainly comprises two pulp mills: Vallvik and Rottneros mill. Rottneros also has a subsidiary for timber purchases in Latvia, SIA Rottneros Baltic, which supplies Vallvik with some of the pulpwood used by the mill. Rottneros Packaging produces food packaging to a limited extent.

Rottneros manufactures long fiber chemical pulp and two categories of mechanical pulp – groundwood pulp and CTMP. Chemical pulp is produced at Vallvik and mechanical pulp at Rottneros mill. All of the pulp produced by Rottneros is TCF bleached, which means that it is completely chlorinefree. A large proportion of the Rottneros' pulp products are customized. Rottneros' pulp mills have a combined annual production capacity of just below 400,000 tonnes. Production amounted to 324,100 tonnes in 2011 compared with 323,000 tonnes in 2010. Deliveries in 2011 amounted to 311,400 (330,300) tonnes, which represents a reduction of six percent. The reason for the reduced delivery volume is primarily reduced supplies of groundwood pulp from Rottneros mill.

Rottneros' products



Rottneros mill

Products

The Rottneros mill manufactures two categories of mechanical pulp: CTMP (Chemi-Thermo-Mechanical Pulp) and groundwood pulp. This pulp accounts for around a third of Rottneros' production. When CTMP is being produced, the wood is mildly pre-treated with chemicals at a raised temperature.

Pulp is produced in both bleached and unbleached grades. Spruce is the dominant raw timber, but pine, birch and aspen are also used. Combining different kinds of tree in various ways achieves pulp grades with different properties, which also affects the field of application. Rottneros' CTMP that is made from aspen and birch is mainly used for printing and writing paper, while CTMP made from pine and spruce is largely used by board manufacturers. Other applications for special CTMP grades include the manufacture of filters and tissue paper. The grades of groundwood pulp manufactured by Rottneros are specially adapted to produce different kinds of printing paper. The unique property of groundwood pulp is high opacity (degree of opaqueness), which is a particularly important property for thin printing paper. Spruce is used exclusively as the raw timber for this. Groundwood pulp is available in both unbleached and bleached grades with different levels of lightness.

In May 2012 the Board of Rottneros decided to immediately commence negotiations concerning the termination of continuous groundwood pulp production at the Rottneros mill.

The market

Global production of mechanical pulp for the market amounted to between three and four million tonnes in 2011. Global market capacity largely remains the same, as the production facilities that have recently been set up in China are primarily for domestic use. The world's largest manufacturer is Canadian Tembec. Other major manufacturers are the Canadian companies Millar Western and West Fraser, the Finnish company M-real and the Chinese company APP. Rottneros' largest markets for mechanical pulp in 2011 were Italy, India and Sweden, which accounted for 44, 15, and 12 percent of the deliveries respectively.

Production

The Rottneros mill has two separate manufacturing lines for groundwood pulp and CTMP. Both processes are eco-friendly, and the high utilization of raw materials entails a low level of wood consumption per tonne of pulp produced. However, both processes are intensive in respect of electrical power, which means that the mill is exposed to electricity prices. Rottneros mill has an annual manufacturing capacity of approximately 170,000 tonnes, which makes the mill one of the world's largest producers of mechanical market pulp. The mill has just over 100 employees after the staff cuts made at the end of 2011. With this level of staffing, practical production capacity is around 150,000 tonnes.

124,500 tonnes were produced in 2011, representing a reduction of 14,000 tonnes or ten percent compared with 2010. The reason for the decrease in production was a weak market for printing paper, which is the primary application for Rottneros' groundwood pulp. The CTMP market was also weak.

The mill initiated a review of the customer and product mix in 2009. This resulted in an increased focus on pulp for, among other things, the production of board, filter pulp, high bulk printing and writing paper and thin printing paper. This is a segment where customers can exploit the unique properties of mechanical pulp. In 2011, the printing paper market was weak not only for business cycle reasons, but also structural reasons as an increasingly large proportion of media consumption has moved to digital media. In order to compensate for this in the long term, the mill will increasingly focus on CTMP for packaging, i.e. board; this is considered to be a segment with long term market growth. Another reason for this venture is that this pulp is manufactured from timber from spruce and pine trees, and there is good access to these in the proximity of Rottneros mill. This was also reflected in the product trends for 2010 and 2011.

Rottneros mill is continuing to take measures to increase productivity and reduce energy consumption per tonne of pulp produced. Energy consumption per tonne of pulp has fallen by approximately 20 percent since 2004.

Vallvik mill

Products

Long fiber chemical sulphate pulp is produced at Vallvik and accounts for just under two thirds of the group's production. Most of Vallvik mill's production is what is known as 'NBSK pulp' (Northern Bleached Softwood Kraft). NBSK is the term used for the most common type of long fiber pulp and is the pulp generally referred to in official price indications; for example, in the weekly PIX price reported in USD/tonnes for Europe, North America and China. The NBSK pulp produced by Vallvik is called 'ECF pulp' (Elemental Chlorine Free) which indicates the type of bleaching used in the manufacturing process. This pulp is used to whiten or lighten paper and board products and above all for the manufacture of printing and writing paper, hygienic papers and white packaging. Long fiber pulp constitutes the element that adds strength to various grades of paper and its reinforcement properties are consequently important. This reaps the full potential of the slowgrowing, strong North Scandinavian spruce and pine fiber used by Rottneros. Vallvik also produces UKP (Unbleached Kraft Pulp), which is an unbleached sulphate pulp of very high purity. The high quality of this UKP pulp, which has been developed over many years, has made Vallvik a globally leading supplier of this pulp, which is used by transformer and cable manufacturers. Vallvik mill's pulp is flash-dried. This gives it certain specific properties and makes it particularly appropriate for manufacturing, among other things, filters and other absorbent products.

The market

It has now been many years since any new pulp mills or new production lines for long-fiber chemical pulp have been set up anywhere in the world. Global capacity has been affected by a combination of factors.

These include, among other things, normal small-scale improvements to existing installations and the Chilean pulp mills, which were badly affected by the earthquake in 2010, once again producing at full capacity in 2011. Furthermore, several small pulp mills closed down and a number were converted to produce 'dissolving pulp' for viscose manufacture. In 2011, Rottneros' largest individual markets for long fiber chemical pulp were Germany followed by the USA and Sweden. Long-fiber pulp accounts for just over 40 percent (almost 25 million tonnes) of the total market for bleached chemical market pulp, which is estimated to be around 55 million tonnes. The largest producers are Arauco (Chile), Domtar and Canfor (USA/Canada), Botnia (Finland), Södra (Sweden) and Mercer (Canada /Germany).

Production

The production of long fiber sulphate pulp, which is manufactured at Vallvik, is less energy intensive than the manufacture of groundwood pulp and CTMP, which means that the mill is not as exposed to electricity prices as Rottneros mill. A large proportion of the electricity used is produced at the mill, which means that the mill is virtually energy neutral. Vallvik has an annual manufacturing capacity of approximately 240,000 tonnes and around 160 employees.

In 2011, 199,600 tonnes were produced, compared with 184,500 tonnes in 2010, representing an increase of eight percent. Production was adversely affected by the cold winter at the start of the year and increased investing activities at the end the year. In 2011, the final part of the investment programme was implemented of just above SEK 250 million in total. This started in 2009 with improvements to the closure of the water loops in the bleaching plant at a cost of SEK 90 million and the commissioning of a new biological purification plant. These investments resulted in capacity increasing from 200,000 to approximately 240,000 tonnes. The objective is to increase capacity even further. The mill has obtained a permit to produce 242,000 tonnes of pulp up until 2014 and is planning for a long term objective of almost 300,000 tonnes after 2015.

Like Rottneros mill, Vallvik has been affected by the weak printing and writing paper market. However, this has been compensated by a strong market for pulp for electrical applications, filters, packaging and tissue paper. Europe is the main market for Vallvik. A predominant part of Rottneros production is sold there, while the remainder, which primarily comprises niche products, is sold to the USA. Having a large proportion of sales to the European market forms part of the group's endeavor to increase margins by reducing freight charges. The proportion of sales to customers in Europe increased in 2011.

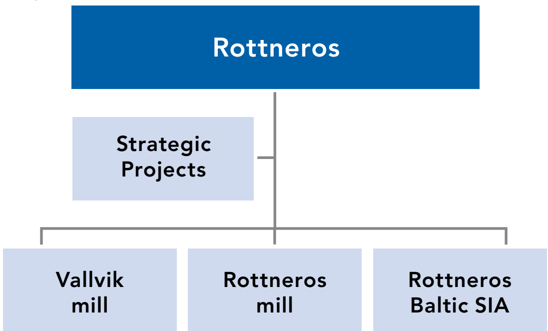
SIA Rottneros Baltic

Rottneros imports some of its raw timber primarily from Latvia through its subsidiary SIA Rottneros Baltic, which is a strategic component of the Rottneros' supply of raw materials. The company is also able to contribute to the acquisition of raw timber from the rest of the Baltic region, Russia and Belarus. These imports, which are mainly for Vallvik, cover approximately 15 percent of the mill's pulpwood requirements. SIA Rottneros Baltic has five employees.

Rottneros Packaging - SilviPak

Rottneros Packaging AB is a subsidiary in the Rottneros group producing food packaging manufactured from pulp fiber under the brand name SilviPak. The packaging is primarily used for frozen and chilled pre-portioned food for small households and is sold, for example, in supermarkets and by industrial kitchens and restaurants. Operations started in the spring of 2006. Packaging is produced at Rottneros mill and three people are employed.

Organization



Legal structure

Legal entity	Votes/share of equity	Country
Rottneros AB		Sweden
Rottneros Bruk AB	100 percent	Sweden
Utansjö Bruk AB	100 percent	Sweden
Vallviks Bruk AB	100 percent	Sweden
Rottneros Packaging AB	100 percent	Sweden
SIA Rottneros Baltic	100 percent	Latvia

History

Rottneros' origins date back to the 17th century. Like many of today's forestry companies, the company's roots are in the iron industry.

2009

A preferential rights issue of SEK 225 million was carried out in 2009 as well as a set-off issue, which converted SEK 200 million of liabilities into shares.

Rockhammar Mill was sold to Korsnäs AB per 1 April 2009. The operation at Rottneros' pulp mill in Rottneros Miranda S.A. ceased at the turn of the year 2008/2009.

2008

The business area Rottneros Packaging is regrouped to Rottneros Packaging AB with production in SilviPak Rottneros Sweden and SilviPak Miranda Spain.

Production at Utansjö Mill closed down during May/June 2008.

2006

Rottneros expands its operations and starts a new business area, Rottneros Packaging, for the production of trays made of pulp.

2005

Production line for CTMP taken into operation at Utansjö Mill.

1999

Pulp mill in Miranda, Spain acquired from Kimberly-Clark.

1995

Vallvik Mill acquired from AssiDomän.

1992

Rottneros undergoes restructuring.

1991

Utansjö Mill acquired from Graninge.

1987

Rockhammar Mill acquired from the Arel family – its principal shareholder – and other shareholders. Following the acquisition Rottneros is listed on the stock exchange.

1981

Carl-Johan Wettergren acquires Rottneros from Vänerskog.

1976

Rottneros, owned by the Möller and Horn af Åminne families, is sold to Vänerskog.

1887

First wood-pulp mill built at Rottneros Falls, starting Rottneros' move away from the iron industry and into forestry.

Summary of financial information

Financial information for the group

Summary consolidated income statement

	January-September (unaudited)			January-December (audited)	
(SEK million)	2012	2011	2011	2010	2009
Net turnover	**1,108**	**1,176**	**1,513**	**1,684**	**1,508**
Change in inventories, finished goods	–50	63	60	–25	–179
Other income	57	74	90	121	138
Total operating revenues	**1,115**	**1,313**	**1,663**	**1,780**	**1,467**
Operating costs					
Raw materials and consumables	–680	–780	–1,001	–961	–881
Other costs	–255	–331	–450	–393	–413
Personnel costs	–135	–159	–209	–202	–235
Depreciation/amortisation and write-downs of intangible and tangible assets	–40	–117	–120	–86	–104
Operating profit/loss	**5**	**–74**	**–117**	**138**	**–166**
Financial items					
Financial income	5	1	2	6	124
Financial expense	–4	–3	–5	–6	–27
Total financial items	**1**	**–2**	**–3**	**0**	**97**
Income/loss after financial items	**6**	**–76**	**–120**	**138**	**–69**
Tax on income for the year	–9	–20	–24	–13	0
INCOME/LOSS FOR THE YEAR	**–3**	**–96**	**–144**	**125**	**–69**
Average no. of shares [1] [2]	152,572	152,572	152,572	152,572	26,884
Earnings after tax/share (SEK) [2] [3]	–0.02	–0.63	–0.95	0.82	–2.59

[1] The number of shares is stated in thousands, excluding treasury shares held by Rottneros.
[2] The comparative figures have been adjusted for the reverse split of shares implemented during April 2010.
[3] Earnings after tax per share, after dilution, is the same as the profit after tax per share.

Summary consolidated balance sheet

(SEK million)	(unaudited) 30 September 2012	2011	(audited) 31 December 2011	2010	2009
ASSETS					
Fixed assets					
Intangible fixed assets	4	2	3	2	8
Tangible fixed assets	762	671	760	720	677
Derivative instruments					
Deferred tax assets			73	82	100
Other financial fixed assets	60	85	5	63	64
Total fixed assets	**826**	**758**	**841**	**867**	**849**
Current assets					
Inventories, etc.	222	277	276	213	215
Accounts receivable			125	150	138
Other current receivables	255	254	78	80	80
Tax assets			5	4	7
Derivative instruments			1	25	5
Cash and cash equivalents	15	89	21	155	111
Total current assets	**492**	**620**	**506**	**627**	**556**
Assets in discontinued operations					
TOTAL ASSETS	**1,318**	**1,378**	**1,347**	**1,494**	**1,405**
EQUITY AND LIABILITIES					
Equity					
Share capital			153	153	153
Other injected capital			730	730	730
Buy-back of treasury shares			–69	–69	–69
Other reserves			–29	10	–4
Profit brought forward			229	404	279
Total equity	**1,004**	**1,073**	**1,014**	**1,228**	**1,089**
Non-current liabilities					
Interest-bearing liabilities	2	6	5	10	57
Non-interest-bearing liabilities	18	8			1
Derivative instruments			11		
Deferred tax liabilities					
Total non-current liabilities	**20**	**14**	**16**	**10**	**58**
Current liabilities					
Interest-bearing liabilities	48	5	42	29	44
Accounts payable			119	92	98
Other non-interest-bearing liabilities	246	286	123	128	102
Derivative instruments			19		
Other provisions			14	7	14
Total current liabilities	**294**	**291**	**317**	**256**	**258**
Liabilities in discontinued operations					
TOTAL EQUITY AND LIABILITIES	**1,318**	**1,378**	**1,347**	**1,494**	**1,405**
Pledged assets			650	686	713
Contingent liabilities			3	6	6

For unaudited financial statements for the interim periods some balance sheet items have been presented in a condensed format which makes line by line comparisons with year-end numbers difficult.

Summary consolidated cash flow statement

(SEK million)	January-September (unaudited) 2012	2011	January-December (audited) 2011	2010	2009
Current operations					
Operating income	**5**	**–74**	**–117**	**138**	**–166**
Adjustment for items not included in cash flow					
Depreciation/amortisation/write-downs	40	117	120	86	104
Gains/losses on sale of fixed assets		–4	–4	–21	–59
Gains/losses on sale of emission allowances					–3
Write-downs of receivables		72	72		
Other items not affecting the cash flow	–5	11	14	4	37
	40	**122**	**85**	**207**	**–87**
Interest received and similiar income items	1		5	1	0
Interest paid and similar items		–2	–5	–6	–28
Income tax received/paid	–2	–5	–1	2	5
Cash flow from current operations before changes in working capital	**39**	**115**	**84**	**204**	**–110**
Changes in working capital					
Change in inventories			–73	2	159
Change in current receivables			3	123	23
Change in current liabilities (non-interest-bearing)			21	–127	12
Total change in working capital	**10**	**–58**	**–49**	**–2**	**194**
Cash flow from current operations	**49**	**57**	**35**	**202**	**84**
Investment activities					
Acquisition of intangible fixed assets			–2	–1	
Acquisition of tangible fixed assets	–44	–69	–155	–124	–10
Sale of intangible fixed assets	1	4		14	
Sale of tangible fixed assets			4	8	120
Acquisition of financial fixed assets					
Change in long-term receivables			5	–5	5
Cash flow from investment activities	**–43**	**–65**	**–148**	**–108**	**115**
Financing activities					
Payment from ordinary share issue					182
Payment from issue of warrants				1	
Borrowing	7		37		92
Repayment of loans	–4	–28	–28	–51	–407
Paid dividend	–15	–30	–30		
Cash flow from financing activities	**–12**	**–58**	**–21**	**–50**	**–133**
Cash flow for the year	–6	–66	–134	44	66
Cash and cash equivalents at beginning of year	21	155	155	111	45
Exchange rate differences in cash and cash equivalents	0	0	0	0	0
Cash and cash equivalents at year-end	15	89	21	155	111
Undrawn credit facilities			63	108	114
Available liquidity at year-end			84	263	225

For unaudited financial statements for the interim periods some balance sheet items have been presented in a condensed format which makes line by line comparisons with year-end numbers difficult.

Key ratios for the group

	January–September (unaudited)		January–December (audited)		
(SEK million)	2012	2011	2011	2010	2009
Operating margin, %	0.5	–6.3	–7.8	8.2	–11.0
Profit margin, %	0.6	–6.4	–8.0	8.2	–4.6
Return on capital employed, %	Neg	Neg	Neg	11.6	Neg
Return on equity after full tax, %	Neg	Neg	Neg	10.8	Neg
Equity/assets ratio, %	76.0	78.0	75.0	82.0	78.0
Debt/equity ratio	0.0	–0.1	0.0	–0.1	0.1
Interest coverage ratio	2.8	Neg	Neg	26.2	Neg
Equity/share, SEK[1)]	6.58	7.03	6.65	8.05	7.14
Average no. of employees	278	302	298	308	387

[1)] There was a reverse share split in April 2010, where ten existing shares were combined into one share. The comparision periods have been adjusted for this reverse split.

Definitions

Equity/assets ratio
Shareholders' equity as a percentage of total assets.

Interest-bearing net assets/liabilities
Liquid assets minus interest-bearing liabilities.

Debt/equity ratio
Interest-bearing net assets/liabilities divided by shareholders' equity.

Operating margin
Operating profit after depreciation as a percentage of net turnover for the period.

Profit margin
Profit after net financial items as a percentage of net turnover for the period.

Net profit/loss
Net profit/loss is the profit/loss after tax.

Earnings per share
Net profit/loss divided by the average number of shares.

Return on capital employed
Profit after net financial items plus interest expense divided by the average capital employed.

Capital employed
Balance sheet total less non-interest-bearing operating liabilities including deferred tax liabilities.

Return on equity
Net profit as a percentage of average shareholders' equity.

Interest coverage ratio
Profit after net financial items plus interest expense, divided by interest expense.

Share capital and owership structure etc.

The Rottneros share (ISIN code SE0000112252) has been listed on NASDAQ OMX (ticker RROS) since November 1987. Rottneros is included in the Small Cap segment and is classed as a company in the Materials sector. Rottneros had a market value of approximately SEK 307 million at the end of 6 November 2012, the last trading day prior to announcement of the Offer. There were 16,543 shareholders on 28 September 2012.

The share capital amounts to SEK 153.4 million divided between 153,393,890 shares. All shares carry equal voting rights and equal rights to the company's capital and profit. All shares are of the class 'ordinary shares' and have a quota value of SEK 1 per share. All shares have been fully paid for. The AGM on 22 April 2010 resolved to carry out a reverse share split, where ten existing shares are combined as one share. The AGM also resolved to have a directed new issue of 31 shares with a view to achieving a number of shares that was evenly divisible by ten. In April 2010 the directed new issue resolved at the AGM was implemented and the record day for the reverse split was 7 May 2010.

Share-related incentive programs

The AGM on 22 April 2010 resolved to issue no more than 30 million subscription warrants to be used for an incentive programs for eight senior executives. Ten subscription warrants entitle the holder to subscribe for one ordinary share in Rottneros. The subscription warrants were issued without payment and could only be subscribed for by Rottneros' wholly owned subsidiary Utansjö Bruk AB. Following subscription, eight senior executives were offered the opportunity to acquire to varying extents subscription warrants for SEK 0.10 per subscription warrant. In total, 12 million of these subscription warrants were transferred to those entitled to subscribe for the market price. Rottneros has cancelled subscription warrants that were not assigned and the dilution effect will amount to 0.8 percent in the event that all warrants are exercised. The issue price for each ordinary share is based on the average latest price paid for a Rottneros' share on NASDAQ OMX during the period 23 April 2010 to 6 May 2010 and is determined considering Black & Scholes' valuation model so that the warrant premium amounts to SEK 0.10 at the time the subscription warrant is transferred. The issue price thus amounts to SEK 9.75 per share. Warrants may only be subscribed for during the periods 17 May 2011 to 31 March 2013 and 1 April 2013 to 16 May 2013. The lowest subscription for each warrant holder and on each occasion during the period 17 May 2011 to 31 March 2013 is 10,000 shares. Each warrant holder may only call for subscription on one occasion during the period 1 April 2013 to 16 May 2013. No shares had been subscribed for as at 31 December 2011. A share added through subscription entitles the holder to a profit dividend from and including the first record day for dividends that occurs after the subscription has been executed to such an extent that the share is entered in the company's register of shareholders.

Possession of own shares

The Annual General Meeting held in 2011 authorized the Board to make decisions on transferring shares in the company (shares previously acquired under the company's buy-back program) on one or several occasions during the period up until the next AGM. No such transfer has yet taken place. Rottneros' holding of treasury shares amounts to 821,965. This is corresponding to 0.5 percent of the share capital.

Shareholders and shareholder structure

The table below shows the ten largest shareholders in Rottneros as of 30 September 2012 (and thereafter known changes).

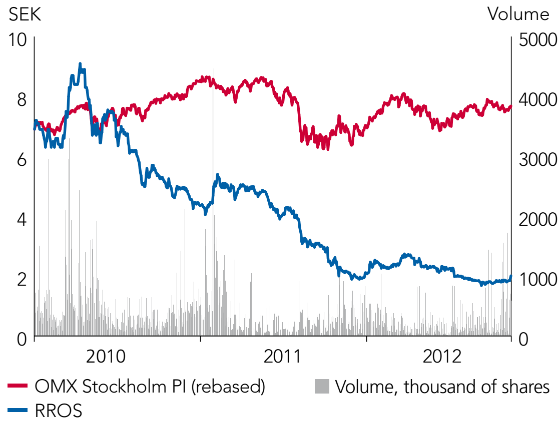
Shareholders	No. of shares	% of votes
Nemus Holding	30,857,435	20.1%
Skagen Vekst	11,452,911	7.5%
Danske Bank A/S	6,451,273	4.2%
DNB Bank ASA Markets	6,451,273	4.2%
Clearstream Banking SA	5,601,100	3.7%
Robur Försäkring	4,754,414	3.1%
Aliz Invest AB	4,500,000	2.9%
JP Morgan Bank	3,802,532	2.5%
BBVA Ireland P.L.C.	2,323,139	1.5%
Försäkringsaktiebolaget, Avanza Pension	2,318,608	1.5%
Other shareholders	74,059,240	48.3%
Total outstanding shares	**152,571,925**	**99.5%**
Treasury shares	821,965	0.5%
Total number of shares	**153,393,890**	**100.0%**

The table below shows the number of shareholders and their distribution between different holding size intervals.

Number of shares	No. of holders	% of share capital
1 – 500	8,252	0.8%
501 – 1 000	2,734	1.3%
1 001 – 5 000	3,588	5.5%
5 001 – 10 000	991	4.8%
10 001 – 15 000	304	2.5%
15 001 – 20 000	180	2.2%
20 001 –	494	82.9%
Total	**16,543**	**100.0%**

Share price development

The graph below illustrates the Rottneros share price development between January 2010 and until one trading day prior to the launch of the Offer.



Shareholders agreement
As far as the board of Rottneros knows there are no shareholder agreements or other arrangements between Rottneros shareholders aiming to jointly influence Rottneros. As far as the board is aware, there are no agreements or that may lead to the control of Rottneros changing.

Dividend policy
The level of dividends is to be adapted to Rottneros' performance level, debt/equity ratio, general financial status, future development opportunities and investment needs. Rottneros' capacity to pay dividends should be viewed over the entire business cycle rather than for an individual year. This means that dividends will be restrained in good years so that it will be possible to pay dividends in years where results are weaker. A dividend of SEK 0.10 per share has been distributed for the operating year 2011.

Board, senior executives and auditors

Board of directors

Kjell Ormegard, born 1949
Chair of the Board since 2010. Member of the Board since 2007.
Education: MBA.
Other assignments/positions: Board member of Allmänna Änke- och Pupillkassan in Sweden.
Holdings own and those of closely related persons, of financial instruments: 100,000 shares

Roger Asserståhl, born 1943
Member of the Board since 2008.
Education: M.Sc. Forestry.
Other assignments/positions: Board member of Bergvik Skog AB.
Holdings own and those of closely related persons, of financial instruments: 12,000 shares

Ingrid Westin Wallinder, born 1957
Member of the Board since 2006.
Education: LLM.
Other assignments/positions: Attorney and partner at Ramberg Advokater AB. Board member of Uppsala University's Trusteeship and Cooperative Association and Ramberg Advokater AB.
Holdings own and those of closely related persons, of financial instruments: –

Bengt Unander-Scharin, born 1943
Member of the Board since 2010.
Education: MBA.
Other assignments/positions: Chair of Ljungträ AB.
Holdings own and those of closely related persons, of financial instruments: 20,000 shares which are all invested in endowment insurance.

Bengt Åke Andersson, born 1951
System Technician, Vallvik Bruk AB. Employee representative. Member of the Board since 2009.
Education: -
Other assignments/positions: -
Holdings own and those of closely related persons, of financial instruments: –

Mikael Lilja, born 1966
Mechanic, Rottneros Bruk AB Employee representative. Member of the Board since 2008.
Education: -
Other assignments/positions: Member of the executive committee of the Swedish Paper Workers' Union.
Holdings own and those of closely related persons, of financial instruments: –

Thomas Wasberg, born 1962
Operator, Vallvik Bruk AB. Employee representative. Deputy board member since 2009.
Education: -
Other assignments/positions: Member of the Swedish Paper Workers' Union.
Holdings own and those of closely related persons, of financial instruments: –

Senior Executives

Ole Terland, born 1958
President and CEO, employed since 2008.
Education: Licentiate of Engineering.
Other assignments/positions: Member of the board of the Swedish Forest Industries Federation.
Holdings own and those of closely related persons, of financial instruments: 440,237 shares, of which 400,000 are invested in endowment insurance and 5 million subscription warrants.

Tomas Hedström, born 1960
CFO, employed since 2010.
Education: MBA.
Other assignments/positions: Owner of New Horizons AB.
Holdings own and those of closely related persons, of financial instruments: 65,000 shares and 2.5 million subscription warrants.

Olle Dahlin, born 1954
MD of Rottneros Bruk AB, employed since 2005.
Education: M.Sc. engineering and MBA.
Other assignments/positions:Chair of Board for Svenska Skidskytteförbundet (Swedish Biathlon Association)
Holdings own and those of closely related persons, of financial instruments: 125,576 shares and 1.5 million subscription warrants.

Ingemar Eliasson, born 1956
Wood Procurement Director, employed since 1987.
Education: M.Sc. Forestry.
Other assignments/positions: Deputy board member of VMF Qbera economic association.
Holdings, own and those of closely related persons, of financial instruments: 46,223 shares and 2.5 million subscription warrants.

Robert Jensen, born 1956
MD of Vallvik Bruk AB, employed since 1999.
Education: Production engineering.
Other assignments/positions: Owner of the sole proprietorship Larm och Drift Service.
Holdings, own and those of closely related persons, of financial instruments: 0.5 million subscription warrants.

Ragnar Lundberg, born 1947
Technical Director, employed since 2000.
Education: M.Sc. engineering.
Other assignments/positions: Board member and Chair of JLR Pulping Systems AB.
Holdings, own and those of closely related persons, of financial instruments: 29,312 shares.

Auditors
Bo Lagerström, born 1966
Auditor in charge since 2011 annual general meeting .
Employed by Öhrlings PricewaterhouseCoopers AB
Relevant working experience: Authorized Public Accountant and member of FAR.

Rottneros' Articles of association

Adopted at the annual general meeting of 19 April 2012 and registered on 9 May 2012.

§ 1
The business name of the company is Rottneros AB (publ). The company is public.

§ 2
The board shall be based in Sunne.
General meetings shall be held in Sunne, Karlstad or Stockholm as determined by the board.

§ 3
The company shall directly and indirectly conduct timber industry operations, especially comprising paper pulp and similar products, and refinement of forest raw materials together with other operations compatible therewith and also to own and manage real and personal property.

§ 4
The share capital shall comprise at least SEK 100,000,000 and at most SEK 400,000,000.

§ 5
The number of shares shall be at least 100,000,000 and at most 400,000,000.

§ 6
The Board shall comprise at least three and at most ten members in addition to those members who according to law are appointed by someone other than the AGM.

§ 7
The company shall have one to two auditors with or without deputy auditors. A registered public accounting firm may also be appointed.

§ 8
Notice of general meetings shall be given by announcement in Post- och Inrikes Tidningar (Swedish Official Gazette) and on the company's website. At the time of such notice, information about notice having been given shall be published in Dagens Nyheter [a national daily newspaper] and in a daily newspaper distributed in Sunne.

§ 9
All persons listed in a transcript or other production of the share record relating to the position five working days prior to the meeting, are entitled to attend the general meeting, though only if they notify their attendance to the company no later than on the day stated in the notice of the meeting. Such day may not be a public holiday or a day before a public holiday and may not fall earlier than the fifth ordinary working day preceding the meeting.

A shareholder attending a general meeting may be accompanied by one or two assistants, though only if the shareholder has given notice of the number of assistants in accordance with the previous paragraph.

§ 10
The following matters shall be dealt with at the annual general meeting:
1. Election of chair for the meeting.
2. Approval of voting list.
3. Approval of agenda.
4. Election of one or two officers to check the minutes.
5. Consideration of whether the meeting has been duly convened.
6. Presentation of the annual report and auditor's report and consolidated accounts and consolidated auditor's report.
7. Decision on adoption of the income statement and balance sheet and the consolidated income statement and consolidated balance sheet.
8. Decision on appropriations concerning the profits or losses of the company in accordance with the adopted balance sheet.
9. Decision on discharge from liability for the board members and the managing director.
10. Determination of fees for the board and the auditors.
11. Determination of the number of board members.
12. Election of board members.
13. When appropriate, election of auditors and deputy auditors.
14. Other matters that have been duly referred for consideration by the meeting.

§ 11
The calendar year shall be the company's financial year.

§ 12
The shares of the company shall be registered in a closing date register in accordance with the Swedish Financial Instruments Accounts Act (1998:1479).

Auditor's report regarding historical financial information

To the board of directors of Rottneros AB (publ)

Auditor's report regarding historical summarized financial information

We have audited the summarized financial statements for Rottneros AB (publ) on pages 78-81, but not, however, information regarding key ratios and data per share, as well as the first three quarters for the financial years 2011 and 2012, which refer to the period 2009–2011.

The board of directors' responsibility for the financial statements

The board of directors is responsible for ensuring that the summarized financial statements on pages 78-81 of the Offer Document, as regards Rottneros AB (publ), are consistent with those financial statements provided in the annual reports for 2009, 2010 and 2011 and the interim financial reports for the first quarters of 2011 and 2012, respectively, and that these financial statements have been accurately reproduced. The board of directors is also responsible for the preparation and the fair presentation of the summarized financial statements on pages 78-81 in accordance with the Financial Instruments Trading Act (1991:980) and the regulations of NASDAQ OMX concerning public takeover bids on the stock market.

The auditor's responsibility

Our responsibility is to express an opinion on these summarized historical financial statements based on our audit. We conducted our audit in accordance with FAR' Recommendation RevR 5 *Examination of Prospectuses*.

Opinion

In our opinion, the information provided in the historical financial statements for the financial years 2009–2011 has been accurately reproduced.

We have audited the annual reports for the years 2009–2011. We have submitted auditor's reports in accordance with the standard formulation for each of these financial years.

Stockholm, Sweden, 21 November 2012

Öhrlings PricewaterhouseCoopers AB

Bo Lagerström
Authorized Public Accountant

Report by the board of directors of Rottneros

The description of Rottneros on pages 74–85 of this Offer Document has been reviewed by the Board of Directors of Rottneros. In the opinion of the Board of Rottneros, this condensed description of Rottneros provides a true and fair, although not complete, view of Rottneros.

Stockholm, 21 November 2012

Rottneros AB (publ)
The Board of Directors

Other

Certain tax issues in Sweden

The following chapter summarizes a number of Swedish tax rules which are applicable for shareholders in Rottneros accepting the Offer. This summary is based on current legislation and does not intend to address all tax issues that could arise in connection with the Offer. Furthermore, this summary is only attended for shareholders that are individuals and limited liability companies (Sw: AB) tax resident in Sweden, if not otherwise stated. This summary does not include:

- Situations where securities are treated as inventory in business activities;
- Situations where securities are held i.a. by partnerships, investment companies (Sw: Investmentföretag), insurance companies or investment funds;
- The special rules regarding tax-exempt capital gains (including capital losses not being deductible) and dividends in the corporate sector where the investor holds shares which are for tax purposes deemed to be shares held for business purposes (Sw: *Näringsbetingade andelar*);
- The specific rules that could be applicable on holdings in companies that are or, or previously have been, closely held companies or on shares acquired on the basis of holdings of shares in closely held companies;
- Foreign companies maintaining business activities from a permanent establishment in Sweden or foreign companies that previously were Swedish companies;
- The special rules for taxation of funds deposited in investment savings accounts (Sw: *Investeringssparkonto*).

The tax effects that arise for each individual owner of shares in Rottneros partly depend on the particular individual circumstances in each case. Each holder of shares in Rottneros should consult with tax advisors regarding the potential tax consequences accepting the Offer may entail for their part, including the application and effects of foreign tax rules and tax treaties, as well as any other rule that may be applicable.

Shares in a listed limited liability company are covered by the Swedish legal term "share based instruments" (Sw: *Delägarrätter*). This summary only regards listed shares, such as the shares in Arctic Paper and Rottneros, if otherwise not stated.

General information on the disposal of shares

Calculation of capital gains and capital losses

If shareholders in Rottneros accept the Share alternative of the Offer and dispose of their shares in Rottneros in exchange for shares in Arctic Paper, the exchange is regarded as a sale of the shares in Rottneros from an income tax perspective.

Shareholders who sell shares are in general subject to tax on any capital gains that may arise. Capital gains and capital losses are normally calculated as the sales price less the sales costs, such as brokerage, less the acquisition cost. The sales price for the shares in this Offer will be the fair market value of the shares in Arctic Paper at the time of the exchange. Arctic Paper intends to seek general advice from the Swedish Tax Agency for the sales price for the shares in Rottneros.

The acquisition cost includes expenses associated with the initial acquisition, such as brokerage. The acquisition cost is calculated using the average method. This method implies that the acquisition cost per share based instrument amounts to the average cost for all instruments of the same kind and class based on the historical acquisition cost of each purchase and taking into account changes during the holding period. For listed shares the standardized method may be used as an alternative when calculating the acquisition cost. This alternative method prescribes that 20 percent of the sales proceeds, less sales costs, may be used as the acquisition cost.

Individuals

Capital gains are subject to 30 percent tax for individuals and estates of deceased persons. Capital losses on sales of listed shares are for the fiscal year fully deductible against capital gains on other listed share based instruments and against the taxable part of capital gains on unlisted shares. For remaining capital losses, 70 percent are deductible against other taxable capital income.

If the capital losses incurred for a fiscal year exceed all capital income, a tax reduction is granted against the tax on salary income, business activities income as well as real estate tax and municipal real estate fee. The tax reduction amounts to 30 percent of the loss that does not exceed SEK 100 000 and 21 percent of the remaining loss. Losses cannot be carried forward.

Limited liability companies

Limited liability companies and other legal entities apart from estates are in general taxed on capital gains as business income with a tax rate of 26,3 percent (income year 2012). Deductions for capital losses on shares are only allowed against capital gains on other share based instruments. If a capital loss cannot be deducted by the company that has incurred the loss, it can be deducted against capital gains on share based instruments earned by other companies in the same group, provided that the companies can exchange group contributions and that both companies apply for this treatment for the same fiscal year. Capital losses on share based instruments that are not utilized in one fiscal year can be carried forward and set off against capital gains on other share based instruments in future years. Losses may be brought forward indefinitely.

Tax consequences for shareholders accepting the Offer

Acceptance of the Cash alternative in the Offer

If the shareholders concerned choose to accept the alternative Offer to receive cash as compensation for their shares in Rottneros, taxation will be triggered. Any taxable capital gain or deductible capital loss is calculated according to the general rules described above.

Acceptance of the Share Alternative in the Offer

Tax consequences for individuals

An acceptance of the Share alternative and disposing shares in Rottneros in exchange for shares in Arctic Paper will not trigger immediate taxation, in accordance with the tax provisions on the roll-over relief (Sw: *Framskjuten beskattning vid andelsbyten*). The shares received in Arctic Paper are considered to have been acquired for an acquisition cost equal to the acquisition cost of the disposed shares in Rottneros. It should be noted that according to the Swedish Tax Agency the standardized method may not be used when calculating the acquisition cost in a roll-over relief situation. A taxable capital gain or deductible capital loss will, however arise when an individual later disposes of the shares or fractions of the shares in Arctic Paper, unless the provisions of another roll-over relief are applicable. A deferred capital gain will also be taxable if an individual who has received roll-over relief ceases to have his or hers permanent home, or ceases to permanently stay in a state within the EES. Any taxable capital gain or deductible capital gain in these cases is calculated according to the rules described above.

In order for the rules for deferred taxation to apply it is further required that Arctic Paper will own more than 50 percent of the total number of votes in Rottneros at the end of the calendar year when the exchange takes place.

Only whole number of shares in Arctic Paper will be distributed to shareholders in Rottneros who accept the Offer. In case shareholders in Rottneros receive a fraction of a new share in Arctic Paper, the fraction received will be added together with other such fractions and disposed of for the shareholders´ account. Any cash received from such disposal will be subject to immediate taxation without deduction of the corresponding part of the acquisition cost of the shares formerly held in Rottneros.

The rules for roll-over relief are applied by the Swedish Tax Agency irrespective of any request from the side of an individual. However, any disposal of the received fractions of the shares in Arctic Paper, that are disposed of for the shareholders´ account must be reported for the fiscal year when the disposal takes place.

Tax consequences for limited liability companies

An acceptance of the Share alternative and disposal of shares in Rottneros in exchange for shares in Arctic Paper will in general trigger taxation. A taxable capital gain or deductible capital loss is calculated as the difference between the sales price less the sales costs for the received shares in Arctic Paper less the acquisition cost for the shares in Rottneros, calculated according to the rules described above.

Limited liability companies which realize a capital gain through the exchange of shares may apply the rules for deferred taxation (Sw: *Uppskovsgrundande andelsbyten*) by claiming a tax deferral for such gain in their income tax return, provided that certain criteria are met. For instance, it is required that the capital gain exceeds any cash component received. The capital gain (less any cash received) will then be allocated pro rata to the shares received in Arctic Paper for which the deferred amount is claimed. The deferred amount will become taxable at the latest when the received shares in Arctic Paper are disposed of or cease to exist. This does, however, not apply if the received shares in Arctic Paper are disposed of in a subsequent exchange provided that the certain criteria for a continued deferred taxation are then met.

In order for the rules of deferred taxation to apply, it is further required that Arctic Paper will own more than 50 percent of the total number of votes in Rottneros at the end of the calendar year of the when the exchange takes place.

Only whole number of shares in Arctic Paper will be distributed to shareholders in Rottneros who accept the Offer. In case shareholders in Rottneros receive a fraction of a new share in Arctic Paper, the fraction received will be added together with other such fractions and disposed of for the shareholders´ account. Any cash received from such disposal will be subject to immediate taxation without deduction of the corresponding part of the acquisition cost of the shares formerly held in Rottneros.

Taxation on dividends paid from Arctic Paper

According to the main rule individuals and estates of deceased individuals that are fully subject to taxation in Sweden are taxed on dividends on listed shares as capital income with a tax rate of 30 percent. For limited liability companies and other legal entities, dividends received on listed shares are generally subject to business income taxation with a tax rate of 26,3 percent (income year 2012).

Any dividends paid from Arctic Paper on the received shares may also be subject to dividend withholding tax ("WHT") in Poland. The standard dividend WHT rate in Poland is 19 percent. According to the double taxation treaty Sweden has entered with Poland the dividend WHT rate applicable to Shareholders tax resident in Sweden is reduced to 15 percent. However, the dividend WHT rate applicable to limited liability companies may be further reduced if certain criteria are met.

In order to avoid double taxation on the dividend received, the shareholders are required to request a credit of the foreign tax paid in their Swedish income tax return.

Disposal of received shares in Arctic Paper

A certain order of priority for shares of same kind and class is applicable if a shareholder who has received roll-over relief or claimed deferred taxation already owned shares in Arctic Paper before the exchange, or has acquired shares in Arctic Paper after the exchange, sells any of these shares. The shares are then regarded to have been disposed of in the following order:

1. Shares acquired prior to the Offer
2. Shares acquired through the Offer
3. Shares acquired after the Offer

Shareholders domiciled outside Sweden

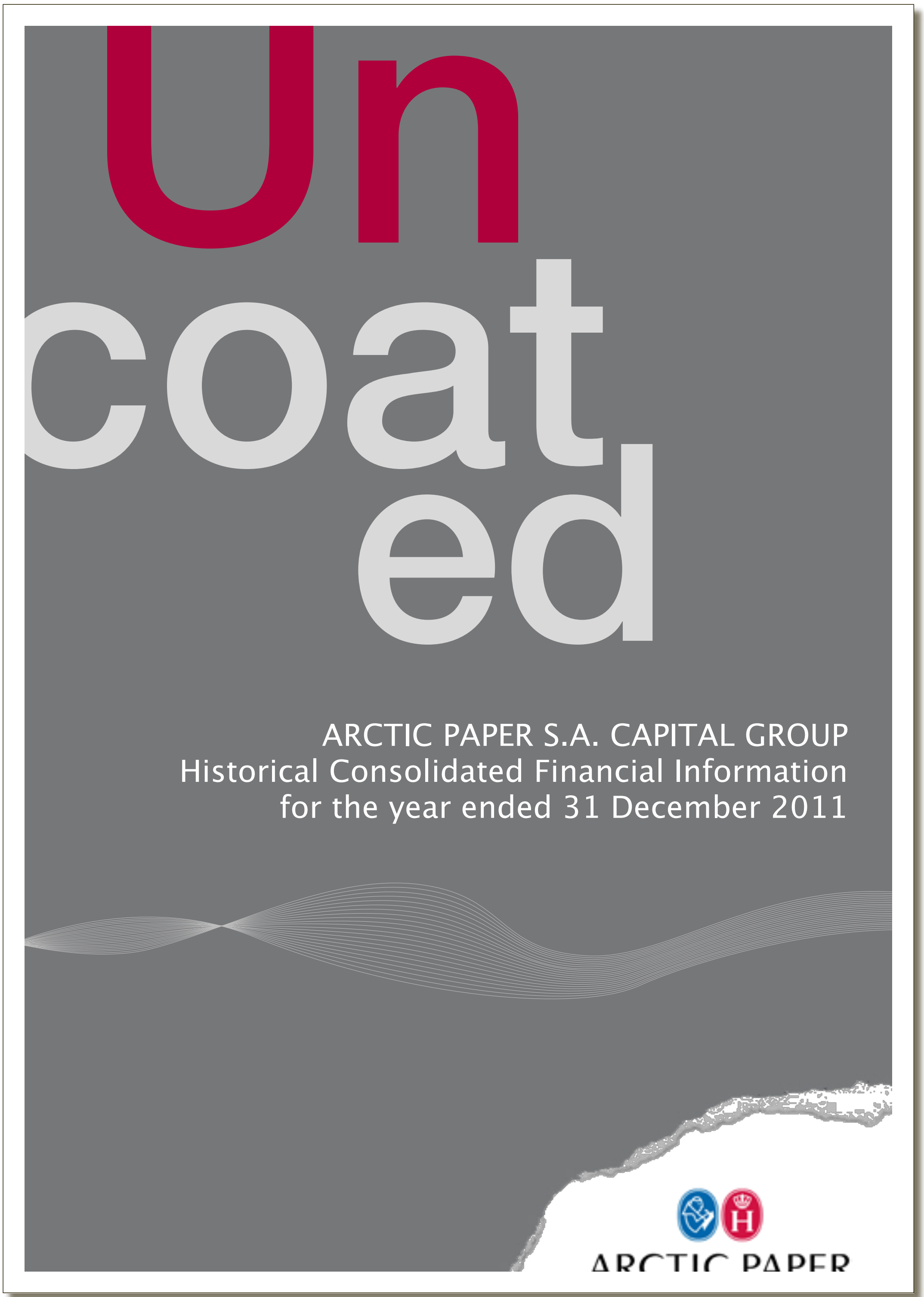
Owners of share, that are subject to a limited taxation in Sweden, and do not carry out business activities from a permanent establishment in Sweden, are generally not taxed in Sweden on capital gains upon disposal of shares. Individuals may, however, be subject to Swedish taxation on capital gains from a sale of shares if they, at any time during the previous 10 calendar years, have been domiciled in Sweden, or if they during the described period have had their habitual abode in Sweden. The applicability of this rule may be limited due to existing tax treaties between Sweden and other countries in order to limit double taxation.

Documents available for inspection

Arctic Paper's articles of association, interim report January – September 2012, the annual reports and auditor reports for the financial years 2009-2011 as well as other publicly announced information that are referred to in the Offer Document is available at the Company's website www.arcticpaper.com. The documents are also available on request on the Company's address J.H. Dabrowskiego 334 A, 60406 Poznan, Poland. The documents are available during the Offers Document's full period of validity.

Appendix

Arctic Paper financial information for 2009–2011



Contents

Consolidated financial statements and selected financial data

Selected consolidated financial data

Selected consolidated financial data

	For the period from 01.01.2011 to 31.12.2011 PLN thousand	For the period from 01.01.2010 to 31.12.2010 PLN thousand	For the period from 01.01.2009 to 31.12.2009 PLN thousand	For the period from 01.01.2011 to 31.12.2011 EUR thousand	For the period from 01.01.2010 to 31.12.2010 EUR thousand	For the period from 01.01.2009 to 31.12.2009 EUR thousand
Revenues	2 527 189	2 287 731	1 809 085	613 456	572 806	417 976
Operating profit (loss)	3 115	17 680	179 310	756	4 427	41 428
Profit (loss) before tax	128	7 350	153 052	31	1 840	35 361
Profit (loss) from continuing operations	12 066	28 817	132 400	2 929	7 215	30 590
Profit (loss) for the period	12 066	28 817	132 400	2 929	7 215	30 590
Net operating cash flow	162 247	120 409	250 988	39 384	30 148	57 989
Net investment cash flow	(56 375)	(230 583)	(132 540)	(13 684)	(57 734)	(30 622)
Net financial cash flow	(121 615)	129 974	(42 231)	(29 521)	32 543	(9 757)
Net change in cash and cash equivalents	(15 743)	19 800	76 217	(3 822)	4 958	17 609
Weighted average number of shares	55 403 500	54 778 842	45 390 884	55 403 500	54 778 842	45 390 884
Weighted average diluted number of shares	55 403 500	54 778 842	45 390 884	55 403 500	54 778 842	45 390 884
EPS (in PLN/EUR)	0,22	0,53	2,92	0,05	0,13	0,67
Diluted EPS (in PLN/EUR)	0,22	0,53	2,92	0,05	0,13	0,67
Average PLN/EUR rate*				4,1196	3,9939	4,3282

	As at 31 December 2011 PLN thousand	As at 31 December 2010 PLN thousand	As at 31 December 2009 PLN thousand	As at 31 December 2011 EUR thousand	As at 31 December 2010 EUR thousand	As at 31 December 2009 EUR thousand
Assets	1 924 531	1 910 769	1 180 310	435 730	482 481	287 306
Long-term liabilities	636 697	500 218	322 272	144 153	126 308	78 446
Short-term liabilities	612 273	742 608	240 002	138 624	187 513	58 420
Equity	675 561	667 944	618 036	152 953	168 660	150 440
Share capital	554 035	554 035	524 035	125 438	139 897	127 558
Number of shares	55 403 500	55 403 500	52 403 500	55 403 500	55 403 500	52 403 500
Diluted number of shares	55 403 500	55 403 500	52 403 500	55 403 500	55 403 500	52 403 500
Book value per share (in PLN/EUR)	12.19	12.06	11.79	2.76	3.04	2.87
Diluted book value per share (in PLN/EUR)	12.19	12.06	11.79	2.76	3.04	2.87
Declared or paid dividend (in PLN/EUR)	-	49 309	-	-	12 451	-
Declared or paid dividend per share (in PLN/EUR)	-	0,89	-	-	0,22	-
PLN/EUR rate at the end of the period**	-	-		4.4168	3.9603	4.1082

* - Income statements items were converted using the rate calculated as arithmetical mean of the average exchange rates

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

ANNOUNCED BY THE NATIONAL BANK OF POLAND IN THE PERIOD BEING REPORTED.
** - BALANCE SHEET ITEMS AND BOOK VALUE PER SHARE WERE CONVERTED USING THE AVERAGE EXCHANGE RATE ANNOUNCED BY THE NATIONAL BANK OF POLAND ON THE BALANCE SHEET DATE.

CONSOLIDATED INCOME STATEMENT

Consolidated income statement

	Note	Year ended 31 December 2011 (audited)	Year ended 31 December 2010 (audited)	Year ended 31 December 2009 (audited)
Continuing operations				
Sales of paper	10.1	2 527 189	2 287 360	1 805 504
Sales of services		-	371	3 581
Revenues	10	2 527 189	2 287 731	1 809 085
Cost of sales	11.5	(2 173 246)	(2 029 622)	(1 339 917)
Gross profit (loss) on sales		353 943	258 110	469 168
Selling and distribution expenses	11.5	(294 405)	(272 965)	(237 605)
Administrative expenses	11.5	(71 509)	(57 273)	(59 104)
Other operating income	11.1	72 578	150 180	44 601
Other operating expenses	11.2	(57 492)	(60 372)	(37 749)
Operating profit / (loss)		3 115	17 680	179 310
Finance income	11.3	42 682	20 062	2 104
Finance costs	11.4	(45 668)	(30 393)	(28 363)
Profit / (loss) before tax		128	7 350	153 052
Income tax	13	11 937	21 467	(20 652)
Net profit (loss) for the year from continuing operations		12 066	28 817	132 400
Discontinued operations				
Profit (loss) for the period from discontinued operations		-	-	-
Net profit (loss) for the year		12 066	28 817	132 400
Attributable to:				
Equity holders of the parent		12 066	28 817	132 400
Non-controlling interest		-	-	-
		12 066	28 817	132 400
Earnings per share:				
– basic from the profit (loss) for the period attributable to equity holders of the parent		0.22	0.53	2.92
– basic from the profit (loss) from continuing operations attributable to equity holders of the parent		0.22	0.53	2.92

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated statement of comprehensive income

	Note	Year ended 31 December 2011 (audited)	Year ended 31 December 2010 (audited)	Year ended 31 December 2009 (audited)
Net profit / (loss) for the year		12 066	28 817	132 400
Exchange difference on translation of foreign operations	30.2	14 198	12 112	2 154
Deffered tax on derivatives	13.1	6 868	(2 851)	(485)
Valutation of derivatives	30.4	(25 515)	10 679	1 874
Reversal of defered tax assets		-	-	(9 876)
Other comprehensive income		(4 449)	19 941	(6 334)
Total comprehensive income		7 617	48 757	126 066
Total comprehensive income:				
Owners of the parent		7 617	48 757	126 066
Non-controlling interest		-	-	-

Summary of significant accounting policies and other explanatory notes
included on pages 12 to 96 are an integral part of this historical consolidated financial information

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

CONSOLIDATED BALANCE SHEET

Consolidated balance sheet

	Note	As at 31 December 2011 (audited)	As at 31 December 2010 (audited)	As at 31 December 2009 (audited)
ASSETS				
Non-current assets				
Property, plant and equipment	18	992 174	1 000 752	552 623
Investment properties	20	10 542	10 542	12 159
Intangible assets	21	120 410	127 118	42 840
Other financial assets	24.1	791	5 024	1 151
Other non-financial assets	24.2	2 151	564	584
Deferred tax asset	13.3	6 362	4 497	702
		1 132 429	1 148 498	610 059
Current assets				
Inventories	27	315 142	291 048	167 783
Trade and other receivables	28	294 452	269 448	231 998
Income tax receivables		5 810	7 849	4 005
Other non-financial assets	24.2	8 708	6 714	5 153
Other financial assets	24.1	1 692	7 811	21 197
Cash and cash equivalents	29	166 299	179 402	140 115
		792 102	762 271	570 251
TOTAL ASSETS		1 924 531	1 910 769	1 180 310
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent company				
Share capital	30.1	554 035	554 035	524 035
Supplementary capital	30.3	80 060	72 289	35 985
Other reserves	30.4	110 849	40 131	1 388
Foreign currency translation	30.2	36 652	22 454	10 342
Retained earnings / Accumulated (unabsorbed) losses	30.5	(106 259)	(21 190)	46 060
Non-controlling interest	30.6	225	225	225
Total equity		675 561	667 944	618 036
Non-current liabilities				
Interest-bearing loans and borrowings	31	317 262	192 705	204 109
Provisions	32	83 827	71 903	21 948
Other financial liabilities	31	44 277	43 681	10 965
Deferred tax liabilities	13.3	156 520	154 402	45 001
Accruals and deferred income	33.2	34 810	37 528	40 249
		636 697	500 218	322 272
Current liabilities				
Interest-bearing loans and borrowings	31	67 242	292 111	16 849
Provisions	32	10 398	13 689	9 442
Other financial liabilities	31	60 383	11 094	6 564
Trade and other payables	33	403 057	365 082	168 197
Income tax payable		1 286	1 743	769
Accruals and deferred income	33.2	69 907	58 889	38 182
		612 273	742 608	240 002
TOTAL LIABILITIES		1 248 970	1 242 826	562 274
TOTAL EQUITY AND LIABILITIES		1 924 531	1 910 769	1 180 310

Summary of significant accounting policies and other explanatory notes
included on pages 12 to 96 are an integral part of this historical consolidated financial information

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

Consolidated cash flow statement

Consolidated Cash flow statement

	Note	Year ended 31 December 2011 (audited)	Year ended 31 December 2010 (audited)	Year ended 31 December 2009 (audited)
Cash flow from operating activities				
Profit before taxation		128	7 350	153 052
Adjustments for:				
Depreciation	11.6	127 625	112 428	67 264
Foreign exchange differences		(23 020)	(24 686)	(730)
Imapirment of non-current assets		11 021	16 186	
Net interest and dividends		38 945	27 256	18 788
Gain/loss from investing activities		1 333	437	1 713
Increase / decrease in receivables and other non-financial assets		(8 029)	22 293	37 682
Increase / decrease in inventories		(1 408)	(47 905)	40 599
Increase / decrease in payables except for loans, borrowings and t		9 569	98 917	(85 396)
Change in accruals and prepayments		(1 853)	(15 536)	15 976
Change in provisions		(1 488)	7 950	895
Income tax paid		(6 667)	(8 628)	(7 931)
Bargain purchase at Arctic Paper Grycksbo		-	(77 555)	-
Derecognition of emission rigths to CO2 identified in a business combination		15 483	6 686	9 064
Sales of yellow certificates		(5 225)	284	12
Other		5 831	(5 069)	-
Net cash flow from operating activities		162 247	120 409	250 988
Cash flow from investing activities				
Proceeds from sale of property, plant and equipment and intangibl		213	35 918	18 833
Purchase of property, plant and equipment and intangible assets		(56 591)	(99 467)	(131 713)
Acquisition of subsidiaries, net of cash acquired		-	(187 954)	-
Interest received		-	312	-
Granted loans		-	20 600	(20 000)
Other investing inflows and outflows		3	8	340
Net cash flow from investing activities		(56 375)	(230 583)	(132 540)
Cash flow from financing activities				
Change in bank overdrafts		(9 164)	41 266	-
Repayment of finance lease liabilities		(8 007)	(7 267)	(10 521)
Repayment of other finance liabilities				(1 969)
Proceeeds from other finance liabilities		15 405		
Proceeds from loans, borrowings and bonds		110 318	183 448	149 181
Repayment of loans, borrowings and bonds		(192 336)	(19 270)	(277 420)
Payments to owners		-	(49 309)	-
Interest paid		(38 945)	(20 192)	(18 487)
Other		1 115	1 298	-
Issue of shares				116 985
Net cash flow from financing activities		(121 615)	129 973	(42 231)
Net increase/(decrease) in cash and cash equivalents		(15 743)	19 800	76 217
Net foreign exchange differences		2 640	19 488	(593)
Cash and cash equivalents at the beginning of the period	29	179 402	140 114	64 491
Cash and cash equivalents at the end of the period	29	166 299	179 402	140 115

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

Consolidated statement of changes in equity

Consolidated statement on changes in equity

	Attributable to equity holders of the Parent							
	Share capital	Supple-mentary capital	Translation reserve	Other reserves	Retained earnings (losses)	Total	Non-controlling interest	Total equity
As at 1 January 2011	554 035	72 289	22 454	40 131	(21 190)	667 717	225	667 942
Net profit/(loss) for the period	-	-	-	-	12 066	12 066	-	12 066
Other comprehensive income	-	-	14 198	(18 646)	-	(4 449)	-	(4 449)
Total comprehensive income	-	-	14 198	(18 646)	12 066	7 617	-	7 617
Profit distribution	-	7 771	-	89 364	(97 135)	-	-	-
As at 31 December 2011 (audited)	554 035	80 060	36 652	110 849	(106 259)	675 335	225	675 561

Summary of significant accounting policies and other explanatory notes included on pages 12 to 96 are an integral part of this historical consolidated financial information

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

Consolidated statement on changes in equity

	Attributable to equity holders of the Parent							
	Share capital	Supple-mentary capital	Translation reserve	Other reserves	Retained earnings (losses)	Total	Non-controlling interest	Total equity
As at 1 January 2010	524 035	35 985	10 342	1 388	46 061	617 812	225	618 037
Net profit/(loss) for the period	-	-	-	-	28 817	28 817	-	28 817
Other comprehensive income	-	-	12 112	7 829	-	19 941	-	19 941
Total comprehensive income	-	-	12 112	7 829	28 817	48 757	-	48 757
Issue of shares	30 000	27 570	-	-	-	57 570	-	57 570
Costs of acquisition in equity	-	-	-	-	(7 111)	(7 111)	-	(7 111)
Payment of dividends	-	-	-	-	(49 309)	(49 310)	-	(49 310)
Profit distribution	-	8 734	-	30 914	(39 648)	-	-	-
As at 31 December 2010 (audited)	554 035	72 289	22 454	40 131	(21 190)	667 717	225	667 942

Summary of significant accounting policies and other explanatory notes included on pages 12 to 96 are an integral part of this historical consolidated financial information

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

Consolidated statement on changes in equity

	Attributable to equity holders of the Parent							
	Share capital	Supple-mentary capital	Translation reserve	Other reserves	Retained earnings (losses)	Total	Non-controlling interest	Total equity
As at 1 January 2009	443 035	-	8 188	9 876	(86 340)	374 759	225	374 984
Net profit/ (loss) for the period	-	-	-	-	132 400	132 400	-	132 400
Other comprehensive income	-	-	2 154	(8 488)	-	(6 334)	-	(6 334)
Total comprehensive income	-	-	2 154	(8 488)	132 400	126 066	-	126 066
Issue of shares	81 000	40 500	-	-	-	121 500	-	121 500
Costs of acquisition in equity	-	-	-	-	-	-	-	-
Costs related to share issue	-	(4 515)	-	-	-	(4 515)	-	(4 515)
As at 31 December 2009 (audited)	524 035	35 985	10 342	1 388	46 060	617 810	225	618 036

Summary of significant accounting policies and other explanatory notes included on pages 12 to 96 are an integral part of this historical consolidated financial information

Accounting policies and additional notes

1. General information

Arctic Paper Group is the second largest, in terms of production volume, European producer of paper for books, offering the widest range of products in this segment and one of the leading producers of graphic paper in Europe. We are producing 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 information, the Arctic Paper Group employs close to 1,600 people in four paper mills and fifteen companies involved in the distribution and sale of paper. Our paper mills are located in Poland, Sweden and Germany and have a combined capacity of more than 800,000 tons of paper annually. The Group has three distribution companies engaged in the sale, distribution and marketing of the products offered by Arctic Paper S.A. 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 Trebruk AB, parent company of the Arctic Paper S.A. In addition, under the expansion, Nordic Group and 12 sales officies ensure access for all European markets, including Central andEastern Europe.The Group acquired in November 2008 paper mill ArcticPaper Mochenwangen (Germany) and in March 2010paper mill Arctic Paper Grycksbo (Sweden).The Parent Company is entered in the Register ofEntrepreneurs kept by the District Court Poznań - NoweMiasto i Wilda in Poznań, VIII Economic Department ofthe National Court Register, Entry No. KRS0000306944.The Parent Company was granted statistical REGONnumber 080262255.

Business activities

The main area of Group's business activities is paper production.
The additional business activities of the Group subordinated to paper production are:

- 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 (formerly Arctic Paper AB), a company under Swedish law, holding as on 31st December 2011, 41,441,500 Shares of our Company which is 74.8% of its share capital corresponding to 74.8% of the total number of votes at the General Meeting. As on the day of publishing of this information the share of Trebruk AB in Company's share capital and the share in total number of votes in the General Meeting has not changed. Thus, Trebruk AB is the parent entity towards Arctic Paper S.A. The ultimate parent for the Group is Cassandrax Financial S.A. Arctic Paper SA was established for an indefinite period.

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

2. Composition of the Group

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

Composition of the Group

Entity	Registered office	Business activities	Share in capital of subsidiaries entities as at 31 December 2011	31 December 2010	31 December 2009
Arctic Paper Kostrzyn S.A.	Poland, Fabryczna 1, 66-470 Kostrzyn nad Odrą	Paper production	100%	100%	100%
Arctic Paper Munkedals AB	Sweden, SE 455 81 Munkedal	Paper production	100%	100%	100%
Arctic Paper Mochenwangen GmbH	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Paper production	99,74%	99,74%	99,74%
Arctic Paper Grycksbo AB	Sweden, Box 1, SE 790 20 Grycksbo	Paper production	100%	100%	-
Grycksbo Paper (Deutschland) GmbH	Germany, Max-Brauer-Allee 52, 22765 Hamburg	Trading services	100%	100%	-
Grycksbo Paper UK Limited	Great Britain, 52 Hither Green Lane, Abbey Park, Redditch	Trading services	-	100%	-
Grycksbo Paper France EURL	France, 3 rue de Teheran, 75008 Paris 8	Trading services	-	100%	-
Arctic Paper UK Limited	Great Britain, Quadrant House, 47 Croydon Road, Caterham, Surrey	Trading services	100%	100%	100%
Arctic Paper Baltic States SIA	Latvia, K. Vardemara iela 33-20, Riga LV-1010	Trading services	100%	100%	100%
Arctic Paper Deutschland GmbH	Germany, Raboisen 3, 20095 Hamburg	Trading services	100%	100%	100%
Arctic Paper Benelux S.A.	Belgium, Dreve des Marroniers 28, 1410 Waterloo	Trading services	100%	100%	100%
Arctic Paper Schweiz AG	Switzerland, Technoparkstrasse 1, 8005 Zurich	Trading services	100%	100%	100%
Arctic Paper Italia srl	Italy, Milano – Via R. Boscovich 14	Trading services	100%	100%	100%
Arctic Paper Ireland Limited	Ireland, 4 Rosemount Park Road, Dublin 11	Trading services	100%	100%	100%
Arctic Paper Danmark A/S	Denmark, Jydekrogen 18, DK-2625 Vallensbaek	Trading services	100%	100%	100%
Arctic Paper France SAS	France, 43 rue de la Breche aux Loups,	Trading services	100%	100%	100%
Arctic Paper Espana SL	Spain, Avenida Diagonal 472-474, 9-1 Barcelona	Trading services	100%	100%	100%
Arctic Paper Papierhandels GmbH	Austria, Hainborgerstrasse 34A, A-1030 Wien	Trading services	100%	100%	100%
Arctic Paper Polska Sp. z o.o.	Poland, Biskupia 39, 04-216 Warszawa	Trading services	100%	100%	100%

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

Arctic Paper Norge AS	Norway, Per Kroghsvei 4, Oslo	Trading services	100%	100%	100%
Arctic Paper Sverige AB	Szweden, Kurodsvagen 9, 451 55 Uddevalla	Trading services	100%	100%	100%
Arctic Paper East Sp. z o.o.	Poland, Fabryczna 1, 66-470 Kostrzyn nad Odrą	Trading services	100%	100%	100%
Arctic Paper Investment GmbH *	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Holding company	100%	100%	100%
Arctic Energy Sverige AB	Szwecja, Box 383, 401 26 Göteborg	Hydro energy production	100%	100%	-
Arctic Paper Verwaltungs GmbH *	Germany, Fabrikstrasse 62, DE-882 84 Wolpertswende	Holding company	100%	100%	100%
Arctic Paper Immobilienverwaltung GmbH&Co. KG*	Germany, Fabrikstrasse 62, DE-882 84 Wolpertswende	Holding company	94,90%	94,90%	94,90%
Arctic Paper Investment AB **	Sweden, Box 383, 401 26 Göteborg	Holding company	100%	100%	-
Grycksbo Paper Holding AB	Sweden, Box 1, SE 790 20 Grycksbo	Holding company	100%	100%	-
EC Kostrzyn Sp. z o.o.	Poland, ul. Fabryczna 1, 66-470 Kostrzyn nad Odrą	Property and machinery rental	100%	100%	100%
Arctic Paper Munkedals Kraft AB	Sweden, 455 81 Munkedal	Hydro energy production	100%	-	-

* - entities formed for purpose of acquisition of Arctic Paper Mochenwangen GmbH

** - entity formed for purpose of acquisition of Grycksbo Paper Holding AB

All of the subsidiaries comprising the Group are subject to full consolidation for the period from the date of taking control of them by the Group and cease to be consolidated from the date of cessation of control.

As on 31st December 2011, as on 31st December 2010 and as on 31st December 2009 the percentage of voting rights held by the Group in subsidiaries corresponded to the percentage held in the share capital of those entities.

In 2011 a new company belonging to the Arctic Paper Capital Group was founded – Arctic Paper Munkedals Kraft AB was established for the purpose of generation of water energy for Munkedals mill. This subject has been further described in note 23.2 to the consolidated financial statements.

In 2011 two sales offices belonging to the Grycksbo Group were dissoluted: Grycksbo Paper UK Limited and Grycksbo Paper Finance URL.

3. Management and supervisory bodies

3.1. Management Board of the Parent Company

As on 31st December 2011 the following constituted the Parent Company's Management Board:

- Michał Jarczyński – President of the Management Board appointed on 30th April 2008;
- Hans Karlander – Member of the Management Board appointed on 4th December 2008;
- Michał Bartkowiak – Member of the Management Board appointed on 17th September 2009;
- Jacek Łoś – Member of the Management Board appointed on 27th April 2011;
- Per Skoglund – Member of the Management Board appointed on 27th April 2011.

From 31st December 2011 until the date of announcing the hereby historical consolidated financial information the Company reported a change in the composition of the Management Board (current report no 02/2012) – on 20th January 2012 Mr Hans Karlander submitted his resignation from being a Member of the Management Board of the Company effective on 31st March 2012.

On the 5th of June 2012 Wolfgang Luebbert has been appointed as a new Member of the Management Board.

3.2. Supervisory Board of the Parent Company

As on 31st December 2011 the Parent 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;
- Fredrik Lars Plyhr – Member of the Supervisory Board appointed on 22nd October 2008;
- Wiktorian Zbigniew Tarnawski – Member of the Supervisory Board appointed on 22nd October 2008.
- Jan Ohlsson – Member of the Supervisory Board appointed on 8th June 2010.

During the Ordinary Shareholders Meeting on 28th June 2012, Mr Wiktorian Tarnawski was dismissed from being a Member of the Supervisory Board, while Mr Mariusz Grendowicz was appointed to serve this function.

3.3. Audit Committee of the Parent Company

As on 31st December 2011 the Parent Company's Audit Committee consisted of the following members:

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

From 31st December 2011 until the date of publication of the hereby historical consolidated financial information there were no changes in the composition of the Audit Committee.

4. Approval of the historical consolidated financial information

This historical consolidated financial information was authorized for issue by the Management Board on 5 November 2012.

5. Significant Professional judgement and estimates

5.1. Professional judgement

In the process of applying the Group's accounting policies to the topics listed below, the most significance is attributed to, apart from those involving accounting estimations, the professional judgement of the management officers.

Obligation under operating and finance leases – the Group as a lessee

The Group has leasing agreements which, in the Management Board's judgement, meet the criteria of operating leases and agreements which meet the criteria of finance leases. The Group classifies its lease agreements as finance leases or operating leases based on the assessment of the extent to which substantially all the risks and benefits incidental to ownership have been transferred from the lessor to the lessee. The assessment is based on economic substance of each agreement.

Deferred tax asset

Application of professional judgement allowed to determine the value of the deferred tax asset which the Group may recognize using the forecasted date and amount of future profits and basing on the future tax strategies.

Gas Agreement

The Group enters into „take or pay” transactions in respect of receipt of supplies of gas to Arctic Paper Kostrzyn S.A. for own use purposes. For these transactions, on each balance sheet date, the

Management Board, using its professional judgment, assesses the probability of use of outstanding amounts within the granted limits, after considering the production plans for the ensuing periods and the optimum possibilities of utilization of alternative sources of materials for production. Where no real possibility of future use of outstanding amounts of gas are

ascertained, the asset arising from paid for but uncollected amounts of gas is subject to the writedown.

5.2. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty on the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are being discussed below.

Impairment of Fixed Assets In Arctic Paper Mochenwangen

On 31st December 2011 an impairment test was conducted in the production company Arctic Paper Mochenwangen in respect of fixed assets and intangible assets.
A detailed description of the impairment test is included in Note 25 of these financial statements.

Retirement benefits and other post-employment benefits

The cost of the pogramme for retirement benefits is determined using actuarial valuations. The assumptions made are presented in note 26. In making the actuarial valuation, certain assumptions must be made concerning discounting rates, forecasted rate of salary increases, mortality ratio or forecasted growth in retirement benefits. Due to the long-term nature of such programs, actuarial valuations are burdened with a degree of uncertainty.

Deferred tax assets

The Group recognizes deferred tax assets based on the assumption that taxable profits will be available against which the deferred tax asset can be utilized.
Deterioration of future taxable profits might render this assumption unreasonable.

Depreciation and amortization rates

Depreciation and amortization rates are determined based on the anticipated economic useful lives of property, plant and equipment and intangible assets.
The economic useful lives are reviewed annually by the Group based on current estimates.

6. Basis of preparation of consolidated financial statements

The hereby historical consolidated financial information has been prepared in accordance with historical cost method with the exception of investment properties and derivative financial instruments which have been valued at fair value. To financial instruments measured at fair value through profit or loss the Company includes foreign exchange forward contract and the contract for purchase of electric energy when they do not follow the hedging principles (note 39).
The hereby historical consolidated financial information is being presented in Polish zloty ("PLN") and all values are given in PLN thousand (PLN '000) except indicated otherwise.
The hereby historical consolidated financial information have been prepared on the assumption that the Group companies will continue as going concerns in the foreseeable future. As on the date of authorization of this historical consolidated financial information, the Company is not aware of any facts or circumstances that would indicate a threat to continuation of the Group's companies activities.

6.1. Statement of compliance

This historical consolidated financial information consists of the financial statements, which were prepared in accordance with International Financial Reporting Standards ("IFRS"), in particular in accordance with IFRSs endorsed by the European Union. On the date of authorization of this historical consolidated financial information, 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 IFRSs applied by the Group and the IFRSs endorsed by the European Union.

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

Some of the Group entities keep books of accounts in accordance with accounting policies specified in the Accounting Act dated 29th September 1994 ("the Accounting Act") with subsequent amendments and the regulations issued based on that Act ("Polish Accounting Standards") or in accordance with other local accounting policies applicable for foreign entities. The consolidated financial statements includes a number of adjustments not included in the books of account of the Group entities, which were made in order to bring the financial statements of those entities to conformity with IFRS.

6.2. Functional currency and presentation currency

Functional currencies of the parent company and other entities included in this historical consolidated financial information are: Polish zloty (PLN), Swedish crown (SEK), Euro (EUR), Norway crown (NOK), Latvian lats (LVL), Danish crown (DKK), Pound sterling (GBP), Swiss franc (CHF).

Presentation currency of the historical consolidated financial information is Polish zloty (PLN).

7. Changes in accounting policies

The accounting policies applied to prepare this historical consolidated financial information are consistent with those applied to prepare the consolidated financial statements of the Company for the year ended 31st December 2010, except for the following amendments to the standards and new interpretations applicable to annual reporting periods beginning on 1st January 2011:

- Amendments to IAS 24 Related Party Disclosures (revised in November 2009) – effective for financial years beginning on or after 1st January 2011. The purpose of this change is simplification and clarification of related party definition. The amendment removes the obligation to disclose information regarding transaction with related entity in reference to the government who controls or jointly controls the reporting entity or has a profound influence on the entity, and in reference to another entity who is a related party as the same government controls or jointly controls the reporting entity and the other entity or has a profound influence on the entities. The adoption of this amendment did not have an impact on the financial position or performance of the Group neither on the scope of information presented in the Group's financial statements.
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: Prepayments of a Minimum Funding Requirements – effective for financial years beginning on or after 1st January 2011. The amendment removes an unintended consequence of IFRIC 14 of voluntary prepayments for retirement purposes in a situation when an entity is subject to minimum funding requirements (MFR).

The adoption of this amendment did not have an impact on the financial position or performance of the Group.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments – effective for financial years beginning on or after 1st July 2010. IFRIC 19 clarifies accounting principles applied in a situation when in a result of renegotiating by an entity of the conditions of its debt the liability is being extinguished by issuing equity instruments by the debtor for the creditor. The adoption of this amendment did not have an impact on the financial position or performance of the Group.
- Amendment to IAS 32 Financial instruments: presentation: Classification of right issues. The

amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. The adoption of this amendment did not have an impact on the financial position or performance of the Group.

■ Improvements to IFRSs (issued in May 2010) – some improvements are effective for annual periods beginning on or after 1st July 2010, the rest is effective for annual periods beginning on or after 1st January 2011. The adoption of these improvements did not have an impact on the financial position or performance of the Group.

■ Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards: Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters, effective for annual periods beginning on or after 1 July 2010. The adoption of this amendment did not have an impact on the financial position or performance of the Group. The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

7.1. Comparability of data

Consolidated statement of changes in equity as on 31st December 2011 presented in this financial information includes the change in presentation of equity compared to consolidated statement of changes in equity as on 31st December 2010 and as at 31st December 2009 presented in the financial statements for the year ended 31st December 2010. The change in presentation of equity concerns the exclusion of position „Division of financial result" and transferring a part of net profit to „Supplementary capital" and to „Other reserve capitals".

In the consolidated report for the year ended on 31st December 2010 the „Supplementary Capital" as on 31st December 2010 amounted to PLN 63,555 thousand, and after the change of presentation in the hereby report it amounts to PLN 72,289 thousand and includes the amount of PLN 8,734 thousand resulting from the division of standalone net profit for year 2009 and assigning a part of it to "Share premium".

In the consolidated report for the year ended on 31st December 2010, the position „Other Reserves" amounted to PLN 9,217 thousand as on 31st December 2010, after the change of presentation in the hereby report it amounts to PLN 40,131 thousand, and includes the amount of PLN 30,914 thousand, resulting from recording of the rest part of standalone net profit for year 2009 (Resolution no 7 from 8th June 2010).

The resolutions on division of profit are included in the current report of the Company no 18/2011 regarding the division of profit for year 2010 and in the current report of the Company no 27/2010 regarding the division of profit for year 2009.

8. Amendments to existing standards and new regulations

The following standards and interpretations were issued by the IASB or IFRIC but are not yet effective:

■ The first phase of IFRS 9 Financial Instruments: Classification and Measurement – effective for financial years beginning on or after 1st January 2015 – not endorsed by EU till the date of approval of this financial information. In subsequent phases, the IASB will address hedge accounting and impairment. The application of the first phase of IFRS 9 will have impact on classification and

measurement of the financial assets of the Company / Group. The Company / Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture,

■ Amendment to IFRS 7 Financial Instruments – Disclosures: Transfer of Financial Assets – effective for financial years beginning on or after 1st July 2011,

■ Amendments to IAS 12 Income Tax: Deferred Tax: Recovery of Underlying Assets – effective for financial years beginning on or after 1st January 2012 – not endorsed by EU till the date of approval of this financial information,

■ 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 – not endorsed by EU till the date of approval of this financial information,

■ IFRS 10 Consolidated Financial Statements –

effective for financial years beginning on or after 1st January 2013 – not endorsed by EU till the date of approval of this financial information,

- IFRS 11 Joint Arrangements – effective for financial years beginning on or after 1st January 2013 – not endorsed by EU till the date of approval of this financial information,
- IFRS 12 Disclosure of Interests in Other Entities – effective for financial years beginning on or after 1st January 2013 – not endorsed by EU till the date of approval of this financial information,
- IFRS 13 Fair Value Measurement - effective for financial years beginning on or after 1st January 2013 – not endorsed by EU till the date of approval of this financial information,
- Amendments to IAS 19 Employee Benefits - effective for financial years beginning on or after 1st January 2013,
- 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,
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine - effective for financial years beginning on or after 1st January 2013 – not endorsed by EU till the date of approval of this financial information,
- Amendments to IFRS 7 Financial Instruments – Disclosures: Offsetting Financial Assets and Financial Liabilities - effective for financial years beginning on or after 1st January 2013– not endorsed by EU till the date of approval of this financial information,
- Amendments to IAS 32 Financial Instruments – Presentation: Offsetting Financial Assets and Financial Liabilities- effective for financial years beginning on or after 1st January 2014 – not endorsed by EU till the date of approval of this financial information,
- Amendments to IFRS 1 First–time Adoption of International Financial Reporting Standards: Government loans - effective for financial years beginning on or after 1st January 2013 – not endorsed by EU till the date of approval of this financial information.
- Improvements to IFRSs (2009–2011) – not endorsed by EU till the date of approval of this financial information.
- Amendments to IFRS 10, IFRS 11 and IFRS 12: Transition Guidance) – not endorsed by EU till the date of approval of this financial information.

The Management Board does not expect the introduction of the above-mentioned amendments and interpretations to have a significant effect on the accounting policies applied by the Group, apart from changes in IAS 19. The Management is currently analyzing the influence of changes in IAS 19 on the consolidated financial statements of the Group.

9. Summary of significant accounting policies

9.1. Basis of consolidation

This historical consolidated financial information comprise the financial statements of Arctic Paper S.A. and its subsidiaries for the year ended 31st December 2011.

The financial statements of the subsidiaries are prepared for the same reporting period as those of the parent company, using consistent accounting policies, and based on the same accounting policies applied to similar business transactions and events. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All significant intercompany balances and transactions, including unrealised gains arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless they indicate impairment.

Subsidiaries are consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which such control is transferred out of the Group. An entity is controlled by the parent company when the parent has, directly or indirectly through its subsidiaries, more than half of the votes at the shareholders meeting of that entity, unless it is possible to prove that such holding does not represent control. Control is also exercised if the company has the power to govern the financial or operating policy of an enterprise.

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

Changes in the parent's ownership interest that do not result in loss of control of the subsidiary are accounted for as equity transactions. In such cases, to reflect changes in the relative shares in the subsidiary the Group revises the carrying value of controlling and noncontrolling shares. Any difference between the amount of correction of non-controlling interests and the fair value of the price paid or received are recognized in equity and attributed to the owners of the parent.

9.2. 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 reported period. Exchange differences resulting from translation are recorded under finance revenue or finance 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 at the date of re-measurement to fair value.

The functional currencies of the foreign subsidiaries are EUR, SEK, LVL, DKK, NOK, GBP and CHF. On the balance sheet 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 at the balance sheet date and their income statements are translated using the weighted average exchange rates for the given reporting period. The exchange differences arising on the translation are taken directly to equity and accumulated in a separate position of equity. 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.

The following exchange rates were used for valuation purposes:

The following exchange rate were used for valuation purposes

	As at 31 December 2011	As at 31 December 2010	As at 31 December 2009
USD	3.4174	2.9641	2.8503
EUR	4.4168	3.9603	4.1082
SEK	0.4950	0.4415	0.4000
LVL	6.3120	5.5830	5.7919
DKK	0.5941	0.5313	0.5520
NOK	0.5676	0.5071	0.4946
GBP	5.2691	4.5938	4.5986
CHF	3.6333	3.1639	2.7661

Weighted average foreign exchange rates for the reporting periods are as follows:

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

Weighted average foreign exchange rates for the reporting periods as follows:

	01/01 - 31/12/2011	01/01 - 31/12/2010	01/01 - 31/12/2009
USD	2.9636	3.0199	2.8352
EUR	4.1196	3.9993	4.3282
SEK	0.4561	0.4190	0.4074
LVL	5.8339	5.6357	6.1331
DKK	0.5529	0.5363	0.5812
NOK	0.5284	0.4988	0.4956
GBP	4.7470	4.6587	4.8586
CHF	3.3481	2.8983	2.8667

9.3. Property, plant and equipment

Property, plant and equipment are measured at cost (price of purchase or construction cost) less accumulated depreciation and impairment losses. The initial value of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Cost also comprises the cost of replacement of fixed asset components when incurred, if the recognition criteria have been met.
Subsequent expenditures, such as repair or maintenance costs, are expensed as presented in the income statement in the reporting period in which they were incurred.
Upon purchase, fixed assets are divided into components, which represent items with a significant value that can be allocated a separate useful life.
Overhauls also represent asset component.
Property, plant and equipment are depreciated using the straight-line method over their estimated useful lives, presented as below:

Type	Period
Buildings and constructions	25 - 50 years
Plant and machinery	5 - 20 years
Office equipment	3 - 10 years
Motor vehicles	5 - 10 years
Computers	1 - 10 years

Residual values, useful lives and depreciation methods of property, plant and equipment are reviewed annually and, if necessary, adjusted retrospectively i.e. with effect from the beginning of the reporting period that has just ended.
An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its further use. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the income statement for the period in which derecognition took place.
Assets under construction (construction in progress) include assets in the course of construction or assembly and are recognized at purchase price or cost of construction less any impairment losses. Assets

under construction are not depreciated until completed and brought into use.

9.4. Investment properties

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, the value of investment properties is presented according to fair value. Any gains or losses resulting from changes of fair value of the investment properties are recognized in gain or loss of the period in which it occurred.

Investment property is derecognized when disposed of or permanently withdrawn from use and no future benefits are expected from its disposal. Any gains or losses on derecognition of investment property are recognized in the income statement for the year in which such derecognition took place. Transfers of assets are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner occupation, commencement of an operating lease, and the Group accounts for such property in accordance with the policy stated under Property, Plant and Equipment (note 9.3) up to the date of change in use.

For a transfer of assets from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in profit or loss.

For a transfer from investment property to owneroccupied property or inventories, the deemed cost of property for subsequent accounting is its fair value on the date of change in use.

9.5. Intangible assets

Intangible assets acquired separately or constructed (if they meet the recognition criteria for development costs) are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as on the date of combination.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment write-offs. Expenditures incurred for internally generated intangible assets, excluding capitalized development costs, are not capitalized and are charged against profits in the year in which they are incurred.

The useful lives of intangible assets are assessed by the Group to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the

amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives and those that are not in use are tested for impairment annually either individually or at the cash generating unit level.

Useful lives are reviewed on an annual basis and, if necessary, are adjusted with effect from the beginning of the financial year that has just ended.

Research and development costs

Research costs are presented in the profit and loss account as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured.

Following the initial recognition, the historical cost model is applied, which requires the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Any expenditure carried forward is amortised over the period of expected future sales from the related project.

The carrying amount of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indication of impairment is identified during the reporting period, which may suggest that the carrying amount may not be recoverable.

A summary of the policies applied to the Group's intangible assets is as follows:

	Customer relationship	Trademarks	Licences and Software
Useful lives	10 years	Indefinite	2-5 years
Method of amortisation	10 years on a straight-line basis	Not amortised	2-5 years on a straight-line basis
Internally generated or acquired	Acquired	Acquired	Acquired
Impairment testing	Annual assesment to determine whether there is any indication that an assets may be impaired	Annualy and where an indication of impairment exists	Annual assesment to determine whether there is any indication that an assets may be impaired

After analyzing the relevant factors, for trademarks Group does not define the limit of its useful life. The intention of the Group is to operate for an indefinite period under the same trademark and it is believed that it will not become impaired. Consequently, and in accordance with IAS 38, the Group does not amortise intangible assets with indefinite useful lives. Useful life of such resources should be reviewed in each reporting period, in order to determine whether events and circumstances continue to confirm the assumption of the indefinite useful life of this asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

9.5.1. Goodwill

Goodwill on acquisition is initially measured at cost being the excess of:

■ The sum of:

- payment transferred,
- the amount of all non-controlling interest in the entity being acquired and
- in case of combination of entities performed in stages, the fair value of shares which previously belonged to the acquiring entity, as on the date of acquisition,

■ over the net amount set as on the day of acquisition of the identifiable value of assets and liabilities acquired.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Goodwill is not amortised.

As on the acquisition date, any goodwill acquired is allocated to each of the cash-generating units that are expected to benefit from the combination. Each unit, or set of units, to which the goodwill has been allocated should:

■ represent the lowest level within the Group at which the goodwill is monitored for internal management purposes, and

■ be not greater than a single operating segment, on the basis of IFRS 8 "Operating segments". Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit to which the goodwill has been allocated. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized. If goodwill represents part of a cash-generating unit and part of the operations within that unit is disposed of, the goodwill associated with the operations disposed of is included in the carrying amount of the operations when determining gain or loss on disposal of the operation.

Goodwill disposed of in such circumstances is measured on the basis of the relative value of the operations disposed of and the value of the portion of the cash-generating unit retained.

9.5.2. Emission rights

The Group operating as a business entity owns power plants and for this reason it holds emission rights which are used during the course of its business operations.

The Group applies the net liability method to recognize emission rights in its books. This means that the rights originally acquired free of charge are recognized in the balance sheet at the "zero" acquisition cost and the provision for the Group obligation to redeem an appropriate number of emission rights is created when the deficit in the emission rights held is ascertained. In the case of emission rights acquired to cover future deficit, such rights are initially recognized at acquisition cost among other intangible assets. Provision for the deficit of emission rights is measured then in accordance with the value of intangibles acquired.

Provision is recognized based on the annual limit of emission rights.

Policy for CER/EUA swap transactions

The Group enters into forward swap agreements ("EUA/CER swaps") with third parties to exchange the rights to emit CO2 within European Union Emission Allowances ("EUA") at a future date (prior to the date at which the utility needs to satisfy its obligation for that period) for the same quantity of Certified Emission Reductions ("CER"). If the EUA/CER swap is entered into and will continue to be held to use CER for covering own liabilities for write-off of the emission rights (i.e., to satisfy obligations resulting from the emission of CO2), it is outside the scope of IAS 39.

Accounting when cash is received

If the cash is received before the EUA/CER swap matures deferred income is recognized in respect of that amount as the EUA has not been delivered on that date.

Accounting for the EUA/CER exchange at maturity

The CER are recognized at their fair value. Any difference between (i) the total of the cash received and the fair value of the CER received and (ii) the historical value of the EUA given up is recognized as a gain (or loss). Any deferred income is recognized in the income statement, as part of this gain (or loss).

9.5.3. Cogeneration certificates

The Group as an entity producing electric energy in cogeneration receives “yellow certificates” of origin. Revenues from these certificates are recognized as decrease of cost in the moment of production and valued at current market prices provided the market for such certificates is active. Otherwise, revenues are recognized upon sale of certificates. The value of certificates is recognized under intangible assets. Details concerning the certificates received in the current year were presented in note 43.

9.6. Leases

Group as lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease and subsequent lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

9.7. Impairment of non-financial assets

An assessment is made on each reporting date to determine whether there is any indication that a nonfinancial non-current asset may be impaired. If such indication exists, or in case an annual impairment testing is required, the Group makes an estimate of the recoverable amount of that asset or the cash generating unit that the asset is a part of.

The recoverable amount of an asset or a cashgenerating unit is the higher of the asset’s or cashgenerating unit’s fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in the expense categories consistent with the function of the impaired asset.

An assessment is made on each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised immediately in the income statement. After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

9.8. Borrowing costs

Borrowing costs are capitalized as part of the cost of property, plant and equipment, investment properties, intangible assets and finished goods. Borrowing costs include interest calculated using the effective interest method, finance charges in respect of finance leases and foreign exchange differences incurred in connection with the external financing to the extent that they are regarded as an adjustment to interest costs.

9.9. Financial assets

Financial assets are classified into one of the following categories:

- financial assets held to maturity,
- financial assets at fair value through profit or loss,
- loans and receivables,
- financial assets available for sale

Financial assets held to maturity

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Group has the positive intention and ability to hold until maturity, other than:

- those that upon initial recognition are designated as at fair value through profit or loss;
- those that are designated as available for sale; and
- those that meet the definition of loans and receivables.

Financial assets held to maturity are measured at amortised cost using the effective interest rate. Financial assets held to maturity are classified as non-current assets if they are falling due within more than 12 months from the balance sheet date.

Financial assets at fair value through profit or loss

A financial asset at fair value through profit or loss is a financial asset that meets either of the following conditions:

a) it is classified as held for trading. A financial asset is classified as held for trading if it is:

- acquired principally for the purpose of selling it in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument),

b) According to IAS 39 upon initial recognition it is designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value, which takes into account their market value as on the balance sheet date. Any change in the fair value of these instruments is taken to finance costs or finance income. When a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met;

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis; or
- the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a document risk management strategy, or
- the financial asset contains an embedded derivative that would need to be separately recorded.

As on 31st December 2011 the Group designated the hedging instruments as measured at fair value through profit and loss, further described in the note 39 to the historical consolidated financial information for year 2011.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are classified as current assets, provided their maturity does not exceed 12 months after the balance sheet date. Loans and receivables with maturities exceeding 12 months from the balance sheet date are classified under non-current assets.

Available-for-sale financial assets

Available-for-sale financial assets are those nonderivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories.

Available-for-sale financial assets are measured at fair value, without deducting transaction costs, and taking into account their market value as on the balance sheet date. Where no quoted market price is available and there is no possibility to determine their fair value using alternative methods, available-for-sale financial assets are measured at cost, adjusted for any impairment losses. Positive and negative differences between the fair value and acquisition cost, net of deferred tax, of financial assets available for sale (if quoted market price determined on the regulated market is available or if the fair value can be determined using other reliable method), are taken to the other comprehensive income.

Any decrease in the value of financial assets available for sale resulting from impairment losses is taken to the income statement and recorded under finance cost.

Purchase and sale of financial assets is recognized at the transaction date. Initially, financial assets are recognized at acquisition cost, i.e. at fair value plus, for financial assets other than classified as financial assets as at fair value through profit and loss, transaction costs that are able to be attributed directly to the acquisition.

Financial assets are derecognized if the Group loses its control over contractual rights attached to those assets, which usually takes place upon sale of the asset or where all cash flows attributed to the given asset are transferred to an independent third party.

9.10. Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

9.10.1. Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced directly. The amount of the loss shall be recognized in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included on a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortised cost on the reversal date.

9.10.2. Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and has to be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

9.10.3. Available-for-sale financial assets

If there is objective evidence that an impairment loss has been incurred on an available-for-sale asset, then the amount of the difference between the acquisition cost (net of any principal payment and interest) and current fair value, less any impairment loss on that financial asset previously recognized in the profit or loss, is removed from equity and recognized in the income statement. Reversals of impairment losses on equity instruments classified as available for sale cannot be recognized in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed, with the amount of the reversal recognized in the income statement.

9.11. Embedded derivatives

Embedded derivatives are bifurcated from host contracts and treated as derivative financial instruments if all of the following conditions are met:

- the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract,
- a separate instrument with the same terms as embedded derivative would meet the definition of a derivative,
- the hybrid instrument is not recorded at fair value with gains and losses taken to profit or loss.

Embedded derivatives are recognized in a similar manner to that of separate instruments, which have not been designated as hedging instruments.

The extent to which, in accordance with IAS 39, the economic characteristics and risks of foreign currency embedded derivatives are closely related to those of the host contract covers circumstances where the currency of the host contract is also the common currency of purchase or sale of non-financial items on the market of a given transaction.

The Group assesses whether embedded derivatives are required to be separated from host contracts at its initial recognition. In case of embedded derivatives acquired as part of business combination, the Group does not reassess the embedded derivatives as on the combination date (they are assessed upon initial recognition by the acquired company).

9.12. Derivative financial instruments and hedges

The Group uses derivative financial instruments to hedge against the risks associated with interest rate and foreign currency fluctuations such as forward currency contracts. Such derivative financial instruments are measured at fair value. Derivatives are carried as assets when its value is positive and as liabilities when its value is negative.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken directly to the net profit or loss for the period.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values of similar instruments.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges, when hedging the exposure to changes in the fair value of a recognized asset or liability, or
- cash flow hedges, when hedging exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a forecast transaction, or
- hedges of a net investment in a foreign operation.

Hedges of foreign currency risk in an unrecognized firm commitment are accounted for as cash flow hedges.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship, the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Hedges are expected to be highly effective in offsetting the exposure to changes in the fair value or cash flows attributable to the hedged risk. Hedge effectiveness is assessed on a regular basis to check if the hedge is highly effective throughout all financial reporting periods for which it was designated.

9.12.1. Fair value hedges

Fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. In the case of a fair value hedge, any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item, the hedging instrument is re-measured to fair value and the gains and losses on the hedging instrument and hedged item are recognized in profit or loss.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying amount is amortised through the income statement over the remaining term to maturity.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit or loss.

The changes in the fair value of the hedging instrument are also recognized in profit or loss.

The Group discontinues hedge accounting prospectively if the hedging instrument expires, or is sold, terminated or exercised, or the hedge no longer qualifies for hedge accounting, or the Group revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to profit or loss. Amortization may begin as soon as an adjustment is made, however no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

9.12.2. Cash flow hedges

Cash flow hedges are hedges securing for danger of cash flows fluctuations which can be attributed to a particular kind of risk connected with the given item of assets or a liability or with a planned investment of high probability, and which could influence profit or loss. The part of profit or loss connected with the hedging instrument which constitutes effective hedge is recognized directly in other comprehensive income and the non-effective part is recognized in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated gains or losses that were recognized directly in equity shall be reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a nonfinancial liability, or a forecast transaction for a nonfinancial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, then gains and losses that were recognized directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of non-financial asset or non-financial liability, or a forecast transaction for a non-financial asset or financial liability becomes a firm commitment, which will apply fair value hedge, then the gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss in the same period or periods during which the non-financial asset acquired or liability assumed affects profit or loss.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the period.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or the hedge no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument that has been recognized directly in other comprehensive income and accumulated in equity remains recognized in equity until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is taken to net profit or loss for the period.

9.13. Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each inventory item to its present location and conditions are accounted for as follows for both the current and previous year:

Raw materials	the weighted average method
Finished goods and work-in-progress	cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity, excluding borrowing costs
Goods for resale	the weighted average method

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

9.14. Trade and other receivables

Trade receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable.

If the effect of the time value of money is material, the value of receivables is determined by discounting the estimated future cash flows to present value using a discount rate that reflects current market assessments of the time value of money. Where discounting is used, any increase in the balance due to the passage of time is recognized as finance income.

Other receivables include prepayments for future purchases of property, plant and equipment, intangible assets and inventories. Prepayments are recognized in accordance with the character of underlying assets, i.e. under non-current or current assets. As non-monetary assets, advances are not discounted.

Receivables from public authorities are presented within other non-financial assets, except for company income tax receivables that constitute a separate item in the balance sheet.

9.15. Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

9.16. Interest-bearing loans, borrowings and bonds

All loans, borrowings and bonds are initially recognized at the fair value less transaction costs associated with the borrowing.

After initial recognition, interest-bearing loans, borrowings and bonds are subsequently measured at amortised cost using the effective interest rate method.

Amortised cost is calculated by taking into account any transaction costs, and any discount or premium on settlement.

Gains and losses are recognized in net profit or loss when the liabilities are derecognized as well as through the effective interest rate method.

9.17. Trade and other payables

Short-term trade payables are carried at the amount due and payable.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial liabilities may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognizing gains or losses on them on a different basis; or
- the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a document risk management strategy; or
- financial liability contains an embedded derivative that would need to be separately recorded.

As on 31st December 2011 no financial liabilities were classified to fair value through profit and loss category (as on 31st December 2010 and 31st December 2009: nil).

Financial liabilities at fair value through profit or loss are measured at fair value, reflecting their market value at the balance sheet date less directly attributable transaction costs. Gains or losses on these liabilities are recognized in the income statement as finance income or cost.

Financial liabilities other than financial instruments at fair value through profit or loss, are measured at amortised cost, using the effective interest rate method.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

Other non-financial liabilities include, in particular, liabilities to the tax office in respect of value added tax, advance payment liabilities which will be settled by way of delivery of goods or services, or fixed assets. Other non-financial liabilities are recognized at the amount due.

9.18. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of the provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the estimated future cash flows to present value using a discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance cost.

9.19. Retirement benefits

In accordance with internal remuneration regulations, employees of Group companies are entitled to retirement benefits. Retirement benefits are paid out as one-off benefit upon retirement. The amount of those benefits depends on the number of years of employment and the employee's average salary. The Group makes a provision for retirement benefits in order to allocate the costs of those allowances to the periods to which they relate. In accordance with IAS 19 retirement benefits are post-employment defined benefits. The carrying amount of the Group's liabilities resulting from those benefits is calculated at each balance sheet date by an independent actuary. The balance of these liabilities equals discounted payments which will be made in the future and accounts for staff turnover, and relates to the period to the balance sheet date. Demographic information and information on staff turnover are based on historical information.

On the basis of valuations carried out by professional actuarial companies, the Group creates a provision for future benefits according to the concept of the "corridor". If the net value of accumulated unrecognized actuarial gains or losses at the end of prior reporting period exceeds 10% of the present value of the liability from defined benefit plans at that date, then a part of actuarial gains or losses is recorded by the Group in the income statement.

9.20. Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenues are recognized at the fair value of the consideration received or receivable, net of Value Added Tax, excise duty and discounts. The following specific recognition criteria must also be met before revenue is recognized.

9.20.1. Sale of goods

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be reliably measured.

9.20.2. Rendering of sales services

The trading companies within the group are rendering sales services to the paper mills. For these services they receive a commission income based on the actual sales of products on each particular market. This means that the income for rendering of services is recognized at the same time as the sales of goods. Only income from paper mills outside the group is presented as sales revenues.

9.20.3. Interest

Revenue is recognized as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

9.20.4. Dividends

Revenue is recognized when the shareholders' rights to receive the payment are established.

9.20.5. Rental income (operating lease)

Rental income arising on investment properties is accounted for on a straight-line basis over the lease term on ongoing leases.

9.20.6. Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, its fair value is credited to a deferred income account and is released systematically to the income statement over the estimated useful life of the relevant asset by way of equal annual installments.

9.21. Income tax

9.21.1. Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the balance sheet date.

9.21.2. Deferred tax

For financial reporting purposes deferred income tax is recognized, using the liability method, on all temporary differences on the balance sheet date between the tax bases of assets and liabilities and their carrying amounts recognized in the financial statements. Deferred tax liability is recognized for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of goodwill, an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax asset is recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized:

- except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed on each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will be available that will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as on the balance sheet date.

Deferred income tax relating to items recognized out of profit or loss is recorded out of income statement: in other comprehensive income it related to positions recognized in other comprehensive income. Deferred income tax relating to items recognized directly in equity is recognized in equity.

Deferred income tax assets and deferred income tax liabilities are offset by the Group only if legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

9.21.3. Deferred tax relating to operations in the Special Economic Zone

The Group operates in the Kostrzynsko – Slubicka Special Economic Zone and due to this fact it benefits from a tax relief to the amount of the investment expenditure made.

Where the investment expenditure is not covered by the revenue earned in the given fiscal year, then the Group recognizes a deferred tax asset against the discounted excess of the investment expenditure over revenue earned, in accordance with the Decree of the Council of Ministers dated 14th September 2004 concerning the Kostrzynsko – Slubicka Special Economic Zone (Official Journal no.222 item 2252 dated 13th October 2004).

The created deferred tax asset is utilized in the subsequent fiscal year when the appropriate amount of taxable income has been earned.

9.21.4. Value added tax

Revenues, expenses and assets are recognized net of the amount of value added tax except:

- when the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

9.21.5. Excise tax

The amount of excise tax due in respect of the electric energy produced is recognized in income statement in the period to which it relates and in the balance sheet under liabilities.

The excise tax on the energy used for own needs is recognized among costs of sales in the income statement.

9.22. Earnings per share

Earnings per share are calculated by dividing the net profit for the period by the weighted average number of shares during the reporting period. The Group does not present diluted earnings per share, as there are no potential ordinary shares with dilutive effect.

10. Operating segments

The principal business of the Group is paper production, which is produced in four paper mills:

- Arctic Paper Kostrzyn S.A. (Poland) – production of high-quality uncoated fine paper under the brand Amber, with a production capacity of about 275,000 tons per year;
- Arctic Paper Munkedals AB (Sweden) – produces high-quality uncoated fine paper under the brand Munken, with a production capacity of about 160,000 tons per year;
- Arctic Paper Mochenwangen GmbH (Germany) – produces uncoated wood containing offset papers under brands Pamo, & L-Print, with a production capacity of about 115,000 tons per year;
- Arctic Paper Grycksbo (Sweden) – production of coated wood-free paper under brands G-Print and Arctic, annual production capacity of 265,000 tons.

Hitherto the Group presented business segments divided into production units. However, considering the changes which take place on the paper market and which are made in each paper mill it was decided to the change of reported business segments.

Starting from 1st January 2011 the Group identifies three business segments:

- Uncoated paper – paper for printing or other graphic purposes, including wood-free and woodcontaining.

Uncoated wood-free paper can be manufactured 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 distribution and sales companies as well as business of Arctic Paper S.A.

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 manufactured 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,
- The changed business segments division will allow better comparability of Arctic Paper Group results to other companies of paper industry.

The results of paper mills and other entities are monthly analyzed by the Group's key management personnel based on internal reporting. 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.

The following table presents revenue and profit information and certain assets and liabilities information divided into individual Group segments for the period ended 31st December 2011 and as on 31st December 2011.

Operating segments - 12 months period ended 31 December 2011 and as on 31st December 2011

	Uncoated	Coated	Other	Total	Eliminations	Total Group
Revenues						
Sales to external customers	1 798 698	728 491	-	2 527 189	-	2 527 189
Inter-segment sales	166 474	186 877	26 032	379 384	(379 384)	-
Total segment revenues	1 965 172	915 368	26 032	2 906 572	(379 384)	2 527 189
Segment's Result						
EBITDA	105 574	35 860	(2 970)	138 463	3 299	141 762
Interest Income	4 281	156	28 253	32 690	(30 983)	1 707
Interest Costs	(37 777)	(15 390)	(18 468)	(71 635)	30 807	(40 829)
Depreciation	(71 283)	(56 206)	(137)	(127 625)	-	(127 625)
Impairments of non-current assets	(11 021)	-	-	(11 021)	-	(11 021)
Positive FX and other financial income	33 104	-	21 040	54 144	(13 169)	40 975
Negative FX and other financial costs	(3 052)	(708)	(414)	(4 174)	(667)	(4 840)
Profit / (loss) before tax	19 826	(36 289)	27 305	10 842	(10 714)	128
Segment assets	1 098 841	414 449	403 564	1 916 854	1 316	1 918 169
Segment liabilities	1 007 763	433 631	238 685	1 680 080	(587 630)	1 092 450
Capital expenditures	51 971	7 417	42	59 430	(1 836)	57 594

- Inter-segment sales are eliminated on consolidation.
- Segment result does not include financial income (PLN 42,682 thousand of which PLN 1,707 thousand constitute interest income) and financial costs (PLN 45,668 thousand of which PLN 40,829 thousand constitute interest expense), amortization and depreciation (PLN 138,646 thousand), as well as income tax credits (PLN +11,937 thousand). Segment result includes inter-segment loss (PLN 3,299 thousand).
- Segment assets and liabilities do not include deferred tax asset and liability (deferred tax asset of PLN 6,362 thousand and deferred tax liability of PLN -156,520 thousand) as these items are managed on the Group level.

The following table presents revenue and profit information and certain assets and liabilities information divided into individual Group segments for the 12-month period ended 31st December 2010 and as at 31st December 2010.

Operating segments - 12 months period ended 31 December 2010 and as on 31st December 2010

	Uncoated	Coated	Other	Total	Eliminations	Total Group
Revenues						
Sales to external customers	1 494 328	549 378	244 026	2 287 732	-	2 287 732
Inter-segment sales	110 425	94 335	95 629	300 390	(300 390)	-
Total segment revenues	1 604 754	643 713	339 655	2 588 121	(300 390)	2 287 732
Segment's Result						
EBITDA	49 209	96 482	6 947	152 638	(6 344)	146 294
Interest Income	3 671	57	20 967	24 695	(22 758)	1 937
Interest Costs	(12 344)	(5 551)	(35 297)	(53 192)	22 823	(30 369)
Depreciation	(68 799)	(42 395)	(1 234)	(112 428)	-	(112 428)
Impairments of non-current assets	(16 186)	-	-	(16 186)	-	(16 186)
Positive FX and other financial income	11 617	6 455	91 157	109 229	(91 105)	18 124
Negative FX and other financial costs	(4 168)	-	(146)	(4 314)	4 290	(24)
Profit / (loss) before tax	(36 999)	55 048	82 394	100 442	(93 094)	7 350
Segment assets	1 102 386	462 251	849 034	2 413 671	(507 399)	1 906 272
Segment liabilities	634 799	272 349	666 794	1 573 942	(485 518)	1 088 424
Capital expenditures	63 090	7 747	753	71 591	-	71 591

- Inter-segment sales are eliminated on consolidation.
- Segment result does not include financial income (PLN 20,062 thousand of which PLN 1,937 thousand constitute interest income) and financial costs (PLN 30,393 thousand of which PLN 30,369 thousand constitute interest expense), amortization and depreciation (PLN 128,614 thousand) as well as income tax credit (PLN +21,467 thousand). Segment result includes, however, inter-segment profit (PLN 6,344 thousand).
- Segment assets and liabilities do not include deferred tax asset and liability (deferred tax asset of PLN 4,497 thousand and deferred tax liability of PLN -154,402 thousand) as these items are managed on the Group level.

The following table presents revenue and profit information and certain assets and liabilities information divided into individual Group segments for the 12-month period ended 31st December 2009 and as at 31st December 2009.

Operating segments - 12 months period ended 31 December 2009 and as on 31st December 2009

	Uncoated	Coated	Other	Total	Eliminations	Total Group
Revenues						
Sales to external customers	1 571 257	-	237 828	1 809 085	-	1 809 085
Inter-segment sales	90 339	-	87 386	177 725	(177 725)	-
Total segment revenues	1 661 596	-	325 214	1 986 810	(177 725)	1 809 085
Segment's Result						
EBITDA	244 488	-	1 799	246 287	288	246 575
Interest Income	4 398	-	2 804	7 202	(5 165)	2 037
Interest Costs	(13 943)	-	(12 047)	(25 990)	5 155	(20 835)
Depreciation	(65 830)	-	(1 434)	(67 264)	-	(67 264)
Impairments of non-current assets	-	-	-	-	-	-
Positive FX and other financial income	223	-	129 797	130 020	(129 954)	66
Negative FX and other financial costs	(2)	-	(7 383)	(7 386)	(142)	(7 528)
Profit / (loss) before tax	169 334	-	113 536	282 870	(129 818)	153 052
Segment assets	1 073 385	-	325 231	1 398 615	(219 007)	1 179 608
Segment liabilities	513 387	-	222 118	735 505	(218 231)	517 274
Capital expenditures	107 020	-	783	107 802	-	107 802

- Inter-segment sales are eliminated on consolidation.
- Segment result does not include finance income (PLN 2,104 thousand of which PLN 2,037 thousand constitute interest income) and finance costs (PLN 28,363 thousand of which PLN 20,835 thousand constitute interest expense), amortization and depreciation (PLN 67,264 thousand) as well as income tax (PLN 20,652 thousand). Segment result includes inter-segment loss (PLN 288 thousand).
- Segment assets and liabilities do not include deferred tax asset and liability (deferred tax asset of PLN 702 thousand and deferred tax liability of PLN 45,001 thousand) as these items are managed on the Group level. Segment assets do not include investments in the entities operating within the Group.

10.1. Revenues by countries and region

The following table presents revenues of the Group from external customers divided by countries and regions in the years 2009-2011 as well as non-current assets of the Group divided by countries and regions in the years 2009-2011:

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

Geographic information

Revenues from external customers:	Year ended 31 December 2011	Year ended 31 December 2010	Year ended 31 December 2009
Germany	573 808	495 767	459 580
France	260 057	232 948	213 285
UK	229 275	213 657	115 972
Scandinavia	386 878	332 042	244 944
Western Europe (other than above)	315 679	312 385	312 605
Poland	259 009	233 200	224 732
Central and Eastern Europe (other than Poland)	478 392	442 878	222 518
Overseas	24 091	24 854	15 449
Total sales	**2 527 189**	**2 287 731**	**1 809 085**

Geographic information

Non-current assets:	Year ended 31 December 2011	Year ended 31 December 2010	Year ended 31 December 2009
Germany	57 876	98 402	112 495
France	367	345	345
Scandinavia	653 387	630 736	76 195
Western Europe (other than above)	341	370	300
Poland	414 012	414 043	426 905
Central and Eastern Europe (other than Poland)	86	106	-6 883
Total sales	**1 126 068**	**1 144 001**	**609 357**

Sales revenues of the position 'Western Europe' relate mostly to sales in Belgium, Netherlands, Austria, Switzerland, Italy and Spain. Sales revenues of the position 'Central-Eastern Europe' relate to sales in Ukraine, Czech Republic, Slovakia, Hungary and Bulgaria.

The above mentioned non-current assets comprise property, plant and equipment, intangibles, investment properties as well as other financial and non-financial assets.

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

11. Revenues and expenses

11.1. Other operating income

	Year ended 31 December 2011	Year ended 31 December 2010	Year ended 31 December 2009
Relase of provisions	129	354	749
Compensation received	3 750	4 044	945
Rental income	2 426	2 186	1 889
Sales of services	660	691	298
Government grants	360	97	2 432
Sales of energy and water	24 255	20 469	11 645
Sales of materials	35 678	35 832	23 078
Net income from emission rights	-	84	-
Excess of aquirer's interest in the net fair value of acquiree's identifiable assets, liabilites and contingent liabilities (Gain on a bargain purchase)	-	77 555	-
Profit of sales on tangible assets	139	3 136	-
Income on marketing activities	-	-	611
Return of tax on civil law transactions	-	-	975
Employee conribution company cars	172	184	203
VAT not confirmed resolved provision	-	1 095	-
Profit on sales of CO2 emission rights	724	-	-
Other	4 285	4 455	1 775
Total	**72 578**	**150 180**	**44 601**

11.2. Other operating expenses

	Year ended 31 December 2011	Year ended 31 December 2010	Year ended 31 December 2009
Property tax	(3 229)	(1 574)	(1 357)
Cost of sales of energy and water	(20 071)	(17 953)	(7 945)
Cost of sales of materials	(28 904)	(29 229)	(21 068)
Redundancy costs	(3 241)	(1 112)	(1 049)
Cost of ancilary activites (canteen)			(737)
Loss on sale of disposal of fiexed assets	(17)	-	(1 732)
VAT receivables write-off			(1 145)
Revaluation investment property	-	(1 617)	-
Contingent consideration from purchase price agreement at Arctic Paper Mochenwangen GmbH	-	(5 232)	-
Other	(2 031)	(3 655)	(2 715)
Total	(57 492)	(60 372)	(37 748)

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

11.3. Financial income

	Year ended 31 December 2011	Year ended 31 December 2010	Year ended 31 December 2009
Interest income on cash and cash equivalents	1 163	1 010	952
Interest income on loans granted	-	312	221
Interest income on receivables	528	518	793
Other interest income	16	97	71
Foreign exchange gains	40 944	18 099	-
Other finance income	31	25	67
Total	42 682	20 062	2 104

11.4. Financial costs

	Year ended 31 December 2011	Year ended 31 December 2010	Year ended 31 December 2009
Interest on bank loans and bonds valued at amortized cost	(35 129)	(25 388)	(17 736)
Interest on other financial liablities	(144)	(182)	(511)
Interest on post-employments provisions	(3 143)	(2 684)	(766)
Finance charges pay able under finance leases	(2 411)	(2 116)	(1 822)
Foreign exchange losses	(4 411)	-	(7 466)
Other finance costs	(429)	(24)	(62)
Total	(45 668)	(30 393)	(28 363)

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

11.5. Costs by nature

	Year ended 31 December 2011	Year ended 31 December 2010	Year ended 31 December 2009
Depreciation / Amortisation	(127 626)	(112 428)	(67 264)
Impairment losses	(11 021)	(16 186)	-
Change in inventory of finished goods	(1 393)	25 345	(10 883)
Inventory write-downs	(3 756)	(2 091)	(6 679)
Reversed inventory write-down	-	981	-
Materials and energy	(1 634 744)	(1 543 833)	(901 679)
External services	(376 495)	(322 970)	(273 826)
Taxes and charges	(11 513)	(12 522)	(10 581)
Employee benefits expense	(315 200)	(302 626)	(211 928)
Other	(33 542)	(30 030)	(19 251)
Cost of goods for resale	(23 870)	(43 499)	(135 183)
Total costs by type, of which:	(2 539 159)	(2 359 860)	(1 636 627)
Items included in cost of sales	(2 173 245)	(2 029 622)	(1 339 917)
Items included in selling and distribution expenses	(294 405)	(272 965)	(237 605)
Items included in administrative expenses	(71 509)	(57 273)	(59 105)

11.6. Depreciation/ amortization and impairment losses included in the consolidated income statement

	Year ended 31 December 2011	Year ended 31 December 2010	Year ended 31 December 2009
Included in cost of sales:			
Depreciation / Amortisation	(121 784)	(106 705)	(60 599)
Impairment of property, plant and equipment	(11 021)	(16 186)	-
Impairment of intangible assets	-	-	-
Inventory write-downs	(3 756)	(2 091)	(6 679)
Included in selling and distribution expenses:			
Depreciation / Amortisation	(2 996)	(2 900)	(3 105)
Impairment of property, plant and equipment	-	-	-
Impairment of intangible assets	-	-	-
Included in administrative expenses			
Depreciation / Amortisation	(2 846)	(2 823)	(3 560)
Impairment of property, plant and equipment	-	-	-
Impairment of intangible assets	-	-	-

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

11.7. Employee benefits expenses

	Year ended 31 December 2011`	Year ended 31 December 2010	Year ended 31 December 2009`
Wages and salaries	(241 567)	(232 239)	(168 139)
Social security costs	(72 017)	(65 525)	(41 732)
Retirement benefits	(5 837)	(4 862)	(2 057)
Total employee benefits expenses, of which:	(319 421)	(302 626)	(211 928)
Items included in cost of sales	(225 537)	(211 301)	(134 615)
Items included in selling and distribution expenses	(25 073)	(25 137)	(13 375)
Items included in administrative expenses	(68 810)	(66 188)	(63 938)

12. Components of other comprehensive income

Components of other comprehensive income for the year ended 31st December 2011, the year ended 31st December 2010 and the year ended 31st December 2009 are as follows:

Components of other comprehensive income

	Year ended 31 December 2011 (audited)	Year ended 31 December 2010 (audited)	Year ended 31 December 2009 (audited)
Exchagne difference on translation of foreign operations	14 198	12 112	2 154
Deffered tax on items recognised directly in equity (exchange differences)	6 868	(2 851)	(485)
Valuation of derivatives	(25 515)	10 679	1 874
Derecognition of deferred tax asset	-	-	(9 876)
Total other comprehensive income	(4 449)	19 941	(6 334)

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

13. Income tax

13.1. Tax burdens

Major components of income tax expense for the year ended 31st December 2011, the year ended 31st December 2010 and the year ended 31st December 2009 are as follows:

Tax income - major components of tax burdens

	Year ended 31 December 2011 (audited)	Year ended 31 December 2010 (audited)	Year ended 31 December 2009 (audited)
Consolidated income statement			
Current income tax			
Current income tax charge	(6 402)	(7 942)	(5 552)
Adjustments in respect of current income tax of previous years	-	-	12
Deferred income tax			
Relating to origination and reversal of temporary differences	18 339	29 409	(15 112)
Income tax expense reported in consolidated income statement	11 937	21 467	(20 652)
Consolidated statement of changes in equity			
Current income tax			
Tax effect of costs related to increase in share capital	-	-	-
Income tax benefit/ (income tax expense) reported in equity	-	-	-
Consolidated statement of other comprehensive income			
Deffered income tax			
Deffered tax in respect of valuation in hedging intruments (exchange	6 868	(2 851)	(485)
Derecognition of deffered tax asset originally recognised in equity	-	-	(9 876)
Income tax benefit / (income tax expense) reported in other comprehensive income	6 868	(2 851)	(10 361)

13.2. Reconciliation of the effective income tax rate

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the year ended 31st December 2011, for the year ended 31st December 2010 and the year ended 31st December 2009 is as follows:

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

Tax income - reconciliation of the effective income tax rate

	Year ended 31 December 2011 (audited)	Year ended 31 December 2010 (audited)	Year ended 31 December 2009 (audited)
Accounting profit before tax from continuing operations	128	7 350	153 052
Profit before tax from discontinued operations	-	-	-
Accounting profit before income tax	128	7 350	153 052
At statutory income tax rate in 2009-2011 of 19%	(24)	(1 396)	(29 080)
Adjustments in respect of current income tax from previous years	(84)	47	(10)
Difference resulting from different tax rates if different countries	7 801	2 089	(3 954)
Tax losses on which no deferred tax asset has been recognized	1 982	(12 104)	(3 170)
Tax credits in KSSSE	8 457	11 978	18 414
Business combination	-	20 896	-
Utilisation of previously unrecognised tax losses	580	224	232
Reversal of previously recognized tax losses	-	(297)	(770)
Non-taxable income	7 526	6 255	604
Influence of tax groups	(10 975)	-	-
Non-taxable costs	(3 324)	(6 225)	(2 065)
Unrecognized deffered tax asset on temporary diffrences	-	-	(1 262)
Change in tax rates	-	-	409
At the effective income tax rate of 9300%(2010: -292%, 2009: -13%)	11 937	21 467	(20 652)
Income tax expense reported in consolidated income statement	11 937	21 467	(20 652)
Income tax attributable to discontinued operations	-	-	-

Unrecognized deferred tax asset relates mainly to those tax losses, which are expected to expire rather than to be realised, and temporary differences, which based on the Group's management assessment could not be utilized for tax purposes.

Deferred tax asset is recognized for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable.

The Polish tax system has restrictive provisions for grouping of tax losses for multiple legal entities under common control, such as those of the Group. Thus, each of the Group's subsidiaries may only utilize its own tax losses to offset taxable income in subsequent years.

The amounts and expiry dates of unused tax losses are as follows:

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

Tax income (charge) - recognized in consolidated income statement

Year of expiration of tax losses	Year ended 31 December 2011 (audited)	Year ended 31 December 2010 (audited)	Year ended 31 December 2009 (audited)
With an indefinite life	41 374	73 981	19 287
ended 31 December 2012	-	127	-
ended 31 December 2013	19 022	19 149	19 482
ended 31 December 2014	12 336	12 406	12 336
ended 31 December 2015 and later	3 654	4 758	-
Total	76 387	110 419	51 105

13.3. Deferred income tax

Deferred income tax relates to the following:

Deferred income tax - liabilities

	Consolidated balance sheet as at			Consolidated income statement for the year ended		
	31 December 2011	31 December 2010	31 December 2009	31 December 2011	31 December 2010	31 December 2009
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
Deffered income tax liabilities						
Tangible fixed assets	72 020	71 013	37 638	(1 007)	607	(89)
Inventories	493	585	438	92	(147)	235
Trade receivables	(18)	99	148	117	49	570
Benefit funds	-	-	-	-	-	-
Accruals and provisions	(2 535)	82	94	2 617	12	(94)
Cogeneration certificates	1 808	816	934	(992)	118	(934)
Untaxed reserves (Swedish tax regulation)	7 818	6 805	-	(1 013)	(1 087) -	
Fair value adjustments on acquisition of subsidiary	88 148	97 493	11 935	9 345	10 042	2 382
Losses utilized on the level of separate financial statements, unrecognized in consolidated financial statements	19 759	17 624	15 967	(2 135)	-	(14 731)
Hedging instruments	321	-	-	(321)		-
Foreign exchange gains	-	-	-	-	-	311
Gross deffered income tax liabilities	187 813	194 516	67 153	6 702	9 595	(12 349)

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

	Consolidated balance sheet as at			Consolidated income statement for the year ended		
	31 December 2011	31 December 2010	31 December 2009	31 December 2011	31 December 2010	31 December 2009
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
Deferred income tax assets						
Post-employment benefits	3 151	4 090	901	(939)	358	(976)
Accruals and provisions	2 868	4 656	6 450	(1 788)	(3 265)	225
Tangible fixed assets	172	4 517	50	(4 345)	4 467	50
Inventories	670	1 242	798	(572)	444	798
Trade receivables	4 040	3 767	159	273	3 298	159
Tax credits in Kostrzynsko - Słubicka Special	25 640	25 004	13 048	636	11 956	(963)
Loss available for offset against future taxable income	1 114	1 335	1 448	(221)	(113)	(1 628)
Gross deferred income income tax assets	37 655	44 611	22 854	(6 956)	17 145	(2 335)
Foreign exchange differences				18 594	2 669	(428)
Deferred income tax charge				18 339	29 409	(15 112)
Net deferred tax assets / liability						
- Deferred tax assets	6 362	4 497	702			
- Deferred tax liability	156 520	154 402	45 001			

14. Non-current assets held for sale

As on 31st December 2011, as on 31st December 2010 and as on 31st December 2009 the Group did not report any non-current assets held for sale.

15. Social assets and social fund liabilities

The Social Fund Act dated 4th March 1994, with subsequent amendments, requires the companies whose full-time employees' number exceeds 20 to establish and run a Social Fund. Arctic Paper Kostrzyn S.A. creates such a Fund and makes periodical transfers in the basic amounts. The Funds purpose is to subsidize social activities of Arctic Paper Kostrzyn and cover social cost.

Arctic Paper Kostrzyn has compenstated the assets and liabilities related to the Social Fund, because the assets are not a separate asset of this company. In relation to the fact mentioned above, the net balance of Social Fund amounted to PLN 3 thousand on 31st December 2011 (on 31st December 2010: PLN 10 thousand, on 31st December 2009: PLN (12) thousand).

The composition and nature of assets, liabilities and costs related to the Social Fund are presented in the following table.

Social assets and social fund liabilities

	As at 31 December 2011 (audited)	As at 31 December 2010 (audited)	As at 31 December 2009 (audited)
Cash	25	20	10
Social Fund liability	(22)	(10)	(22)
Net balance	3	10	(12)

	Year ended 31 December 2011 (audited)	Year ended 31 December 2010 (audited)	Year ended 31 December 2009 (audited)
Transfers made to the Social Fund during the period	563	588	571

16. Earnings per share

Earnings per share ratio is calculating by dividing the net profit for the year attributable to the Companys' shareholders by weighted average number of shares during 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:

Eearnings per share

	Year ended 31 December 2011 (audited)	Year ended 31 December 2010 (audited)	Year ended 31 December 2009 (audited)
Net profit (loss) for the year from continuing operations	12 066	28 817	132 400
Profit (loss) for the period from discontinued operations	-	-	-
Net profit (loss) for the year	12 066	28 817	132 400
Number of share - serie A	50 000	50 000	50 000
Number of share - serie B	44 253 500	44 253 500	44 253 500
Number of share - serie C	8 100 000	8 100 000	8 100 000
Number of share - serie E	3 000 000	3 000 000	-
Total number of shares (in thousand)	55 403 500	55 403 500	52 403 500
Weighted average number of shares	55 403 500	54 778 842	45 390 884
Profit per share (in PLN)	0.22	0.53	2.92

16.1. Transactions on ordinary shares, which had taken place between the balance sheet date and the date of authorization of this Historical Consolidated Financial Information

Between the balance sheet date and the date of preparing of the hereby historical consolidated financial information there were no transactions of such matter.

17. Dividend paid and proposed

Dividends are paid out based on the net profit shown in the separate annual financial statements of Arctic Paper S.A. prepared for statutory purposes, after covering losses carried forward from the previous years.

In accordance with the provisions of the Code of Commercial Companies, the parent company is required to create reserve capital for possible losses. Transferred to this capital category is 8% of profit for the given financial year recognized in the standalone financial statements of the parent company until such time as the balance of the reserve capital reaches at least one third of the share capital of the parent company. Appropriation of the reserve capital and other reserves depends on the decision of the General Meeting of Shareholders; however, the reserve capital in the amount of one third of the share capital may be used solely for the absorption of losses reported in the standalone financial statements of the parent company and shall not be used for any other purpose.

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 2012 the Ordinary Shareholders Meeting adopted resolution no 8 regarding distribution of profit for financial year 2011 in which a part of profit for financial year 2011 in the amount of PLN 2,184,399.57 was assigned in accordance with Code of Commercial Companies to supplementary capital, the amount of PLN 9,972,630.00 was assigned for payment of dividend (PLN 0.18 per share), while the rest amount of undistributed net profit (PLN 15,147,964.96) was assigned to reserve capital with the possibility of future use of this amount to pay dividend or for other legally acceptable purpose.

The Shareholders Meeting set the dividend day to 31st July 2012 and the dividend payment day to 21st August 2012
(current report 13/2012).

As on 30th June 2012 the dividend proposed for payment in the amount of PLN 9,973 thousand was presented in position of short-term liabilities.

On 27th April 2011 the Management Board of Arctic Paper SA adopted a resolution approving the net profit for the year 2010 distribution proposal and recommending to Supervisory Board of Arctic Paper S.A. The above proposal does not provide dividend payment.

On 26th May 2011 Shareholders Meeting approved the resolution no 7 regarding the division of profit for financial year 2010, in which a part of profit from 2010 assigned, according to Polish Commercial Companies Code, to supplementary capital in the amount of PLN 7,770,812.64, whereas the rest amount of undivided net profit assigned to reserve capital in the amount of PLN 89,364,345.37 with the possibility to make use of it to pay dividend or for other legally permissible purpose.

On 12 May 2010, the Management Board of Arctic Paper SA adopted a resolution recommending the General Meeting of Shareholders a payment of dividend for the year 2009 in the amount of PLN 0.80 per share.

On 8 June 2010 Regular General Meeting of Shareholders adopted Resolution No. 7 on the distribution of profit for the year 2009, in which part of the profit for the fiscal year 2009 was allocated for distribution among the shareholders in the amount of PLN 49,309 thousand, i.e., it was decided to pay a dividend of PLN 0.89 per share. The number of shares covered by the dividend amounted to 55,403,500.

The dividend on ordinary shares for the year 2009 was paid on 6 July 2010 and amounted to PLN 49,309 thousand (for 2008: no dividend payment was made due to the generated loss).

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

18. Property, plant and equipment

Property, plant and equipment

	As at 31 December 2011 (audited)			
	Land and buildings	Plant and equipment	Assets under construction	Total
Net carrying amount at 1 January 2009	139 071	314 422	55 051	508 544
Additions	246	14 833	92 269	107 347
Other additions	22 198	90 452	(112 649)	-
Disposals	-	(552)	-	(552)
Liquidations	-	(1 753)	-	(1 753)
Depreciation charge for the period	(7 159)	(56 696)	-	(63 854)
Foreign exchange differences	1 601	428	862	2 891
Net carrying amount at 31 December 2009	155 957	361 134	35 533	552 623
Net carrying amount at 1 January 2010	155 957	361 133	35 533	552 623
Additions	1 972	10 817	58 517	71 307
Other additions	5 211	47 505	(52 716)	-
Acquisition through business combination	129 878	334 259		464 137
Disposals	(5 226)	(313)	-	(5 540)
Liquidations	-	(21)	-	(21)
Depreciation charge for the period	(12 984)	(92 272)	-	(105 257)
Impairment losses (Note 25)	(486)	(15 700)		(16 186)
Foreign exchange differences	11 897	25 896	1 896	39 689
Net carrying amount at 31 December 2010	286 219	671 305	43 230	1 000 753
Net carrying amount at 1 January 2011	286 219	671 305	43 230	1 000 754
Additions	899	6 850	47 563	55 313
Other additions	4 360	37 275	(41 635)	0
Acquisition through business combination (Note 23)	-	-	-	-
Disposals	-	(114)	-	(114)
Liquidations	(116)	(162)	-	(278)
Depreciation charge for the period	(15 344)	(107 402)	-	(122 746)
Impairment losses (Note 25)	(310)	(10 711)	-	(11 021)
Foreign exchange differences	20 493	48 725	1 049	70 268
				-
Net carrying amount at 31 December 2011	296 201	645 767	50 207	992 175

Impairment loss in amount of PLN 11,021 thousand was included in consolidated income statement for the period ended 31st December 2011 in cost of sales (2010: PLN 16,186 thousand, 2009: PLN: 0).

The carrying amount of property, plant and equipment held under finance lease agreements or hire purchase contracts on 31st December 2011 totaled PLN 3,348 thousand (on 31st December 2010: PLN 5,363 thousand and at 31 December 2009: PLN 9,404 thousand).

Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

A mortgage security was established on land and buildings with a carrying amount of 296,201 thousand (on 31st December 2010: PLN 286,218 thousand, on 31st December 2009: PLN 155,957 thousand) in respect of bank loans taken out by the Company (note 31).

The value of capitalized borrowing costs in the financial year ended 31st December 2011 amounted to PLN 204 thousand (year ended 31st December 2010: PLN 70 thousand, (year ended 31 December 2009: PLN 34 thousand).

19. Leases

19.1. Operating lease commitments – Group as the lessee

The Group entered into operating lease agreements on certain vehicles and technical equipment. Entering into these contracts does not result in any restrictions for the lessee.

Future minimum rentals payable under non-cancellable operating leases as on 31st December 2011, 31st December 2010 and 31st December 2009 are as follows:

Operating lease commitments - Group as the lessee

	Year ended 31 December 2011 (audited)	Year ended 31 December 2010 (audited)	Year ended 31 December 2009 (audited)
Within 1 year	5 089	3 416	2 810
Within 1 to 5 years	9 423	10 061	5 353
More than 5 years	-	267	13
Total	14 512	13 744	8 176

19.2. Finance lease and hire purchase commitments

As on 31st December 2011, 31st December 2010 and 31st December 2009 future minimum rentals payable under finance leases and hire purchase contracts and the present value of the net minimum lease payments are as follows:

Finance lease and hire purchase commitments

	Year ended 31 December 2011		Year ended 31 December 2010		Year ended 31 December 2009	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within 1 year	8 293	7 987	8 641	7 913	6 309	5 201
Within 1 to 5 years	12 484	11 243	16 388	15 148	11 825	10 964
More than 5 years	41 265	30 298	35 513	28 533	-	-
Minimum lease payments, total	62 041	49 528	60 542	51 594	18 134	16 165
Less amounts representing finance charges	(7 292)		(8 948)		(1 969)	
Present value of minimum lease payments, of which:	54 749	49 528	51 594	51 594	16 165	16 165
- short-term		7 987		7 913		5 201
- long-term		41 541		43 681		10 964

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

20. Investment properties

Investment properties

	2011 (audited)	2010 (audited)	2009 (audited)
Opening balance at 1 January	10 542	12 159	12 159
Addititons (subsequent expenditure)	-	-	-
Net loss from a fair value adjustment	-	(1 617)	-
		-	
Closing balance at 31 December	10 542	10 542	12 159

Investment properties are recognised at fair value determined by a valuation performed by accredited appraiser "DWN" Doradztwo i Wycena Nieruchomości Karina Drzazgowska. In relation to year 2010 no factors affecting the valuation have been changed. The valuation used a comparative approach, the adjusted average method.

DWN – Doradztwo i Wycena Nieruchomości Karina Drzazgowska is an expert in Real Estate, holding a proffesional certification in the field of property valuation awarded by the President of the Housing and Urban Development.

The market value of property constitutes the price that is most likely to obtain in the market, determined taking into account transaction prices for adoption of the following assumptions:

- parties of the contract were independent of each other, did not act under constraint and had a firm intention to conclude a contract,
- the time necessary to display a property in the market and to negotiate contract terms elapsed.

The market value for valid metod of use (WRUo) was etsimated taking into account:

- purpose of the valuation,
- the nature and location of the property,
- function in land development plan,
- level of equipment in the technical infrastructure,stanu nieruchomości,
- condition of property
- available data on prices of similar properties.

In 2011 revenues received from investment properties amounted to PLN 23 thousand. Costs incurred in 2011 consists of cost of property tax amounting to PLN 20 thousand. In 2010 revenues received from investment properties amounted to PLN 21 thousand. Costs incurred in 2010 consists of cost of property tax amounting to PLN 19 thousand.

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

21. Intangible assets

Intangible assets

As at 31 December 2009 (audited)

	Customer relationship	Trademarks	CER Certificate	CO2 emission rights	Other *	Total
Net carrying amount at 1 January 2009	1 257	1 528	1 378	5 925	39 191	49 279
Additions	-	1 311	21 778	754	503	24 346
Disposals	-	-	(18 241)	-	(9 068)	(27 309)
Depreciation charge for the period	(264)	-	-	-	(3 142)	(3 406)
Foreign exchange differences	(7)	72	-	-	(136)	(71)
Net carrying amount at 31 December 2009	986	2 911	4 915	6 679	27 349	42 840
At 1 January 2009						-
Gross carrying amount	1 289	1 528	1 378	5 925	60 096	70 215
Accumulated depreciation and impairment	(32)	-	-	-	(20 905)	(20 936)
Net carrying amount	1 257	1 528	1 378	5 925	39 191	49 279
At 31 December 2009						-
Gross carrying amount	1 257	2 911	4 915	6 588	51 483	67 153
Accumulated depreciation and impairment	(271)	-	-	-	(24 043)	(24 314)
Net carrying amount	986	2 911	4 915	6 588	27 440	42 839

As at 31 December 2010 (audited)

	Customer relationship	Trademarks	CER Certificate	CO2 emission rights	Other *	Total
Net carrying amount at 1 January 2010	986	2 911	4 915	6 588	27 440	42 840
Additions	-	-	26 874	2 304	339	29 517
Disposals	-	-	(27 496)	(1 966)	(10 625)	(40 087)
Acquisition of subsidiaries (Note 23)	33 179	49 005	-	11 509	2 073	95 767
Depreciation charge for the period	(3 076)	-	-	-	(4 095)	(7 172)
Foreign exchange differences	2 451	4 061	-	333	(592)	6 253
Net carrying amount at 31 December 2010	33 540	55 977	4 293	18 768	14 540	127 118
At 1 January 2010						-
Gross carrying amount	1 257	2 911	4 915	6 588	51 483	67 154
Accumulated depreciation and impairment	(271)	-	-	-	(24 043)	(24 314)
Net carrying amount	986	2 911	4 915	6 588	27 440	42 840
At 31 December 2010						-
Gross carrying amount	37 028	55 977	4 293	18 768	42 789	158 854
Accumulated depreciation and impairment	(3 487)	-	-	-	(28 248)	(31 736)
Net carrying amount	33 540	55 977	4 293	18 768	14 540	127 118

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

As at 31 December 2011 (audited)

	Customer relationship	Trademarks	CER Certificate	CO2 emission rights	Other *	Total
Net carrying amount at 1 January 2011	33 540	55 977	4 293	18 768	14 540	127 118
Additions	-	-	25 133	653	69	25 855
Disposals	-	-	(19 908)	(7 364)	(12 879)	(40 151)
Depreciation charge for the period	(3 952)	(0)	-	-	(927)	(4 879)
Foreign exchange differences	3 726	6 598	-	1 869	274	12 467
Net carrying amount at 31 December 2011	33 315	62 574	9 518	13 926	1 077	120 410
At 1 January 2011						-
Gross carrying amount	37 028	55 977	4 293	18 768	42 789	158 854
Accumulated depreciation and impairment	(3 487)	-	-	-	(28 248)	(31 736)
Net carrying amount	33 540	55 977	4 293	18 768	14 540	127 118
At 31 December 2011						-
Gross carrying amount	41 507	62 574	9 518	13 926	30 438	157 964
Accumulated depreciation and impairment	(8 193)	-	-	-	(29 361)	(37 554)
Net carrying amount	33 315	62 574	9 518	13 926	1 077	120 410

* other posistion included software

In the financial year ended 31st December 2011, emission rights with a carrying amount of PLN 653 thousand were used as guarantee in respect of bank loans drawn by the Group. In 2010 their value amounted to PLN 6,926 thousand, in 2009 their value amounted to PLN 6,588 thousand.

The Company performed a test on impairment of the value of Arctic Paper corporate trademark as on 31st December 2011. As a result of an analysis performed, no need for allowance on the grounds of value loss was confirmed.

Another test has been scheduled to 31st December 2012.

The Company performed a test on impairment of the value of corporate trademarks purchased at acquisition of AP Grycksbo as on 31st December 2011. As a result of an analysis performed, no need for allowance on the grounds of value loss was confirmed. The impairment test was performed at Arctic Paper Grycksbo level, as the company was considered one unit generating cash flows. The details of the test have been presented in note 25.

Another test has been scheduled to 31st December 2012.

22. Investment in related parties valued using the equity method

During the years ended 31st December 2011, 31st December 2010 and 31st December 2009 the Group did not have any associates.

23. Business combinations and acquisition of minority interests

23.1. Acquistion of Grycksbo Papier Holding AB (currently Arctic Paper Grycksbo AB) in 2010

On 1st March 2010, the Group acquired 100% of the voting shares of Grycksbo Paper Holding AB seated in Grycksbo, Sweden, a non-listed company. Grycksbo Paper Holding AB is the owner of 100% of the voting shares of paper mill Grycksbo Paper AB, the parent company of Grycksbo Paper Deutschland GmbH, Grycksbo Paper UK Ltd and Grycksbo Paper France EURL, which operate as sales offices. Those entities, together with Arctic Paper Investment AB, form the Grycksbo Group. As a result of the final accounting as on 31st December 2010, the Group recorded a gain from a bargain purchase in the amount of PLN 77,555 thousand which was included in the consolidated income statement for the year ended 31st December 2010 in other operating income.

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

23.2. Founding of Arctic Paper Munkedals Kraft AB

In October 2011 Arctic Paper Munkedals Kraft with the registered office in Munkdedals, Sweden, has been registered. The share capital of the company consists of 50 thousand shares with a nominal value of SEK 1 each.

Arctic Paper Munkedals Kraft AB was established for the purpose of water energy production for Munkedals mill.

23.3. Dissolution of sales offices from Grycksbo Group

In 2011 two sales companies belonging to Grycksbo Group: Grycksbo Paper UK Limited and Grycksbo Paper France URL were dissoluted.

23.4. Incorporation of Arctic Paper Investment AB

On 12 February 2010 Arctic Paper Investment AB with the registered office in Göteborg, Sweden, has been registered. The share capital of the company consists of 100 thousand shares with a nominal value of SEK 1 each. All the shares were paid for on 27 January 2010 by Arctic Paper S.A. Arctic Paper Investment AB was established to facilitate the Grycksbo Paper Holding AB acquisition transaction.

23.5. Incorporation of Arctic Energy Sverige AB

On 21 December 2010 Arctic Paper Investment II AB with the registered office in Göteborg, Sweden, has been registered. The share capital of the company consists of 50 thousand shares with a nominal value of SEK 1 each. In 2011 the entity changed name to Arctic Energy Sverige AB.

24. Other assets

24.1. Other financial assets

Other financial assets

	Note	Year ended 31 December 2011 (audited)	Year ended 31 December 2010 (audited)	Year ended 31 December 2009 (audited)
Loans granted				20 000
Derivatives	39.3	1 692	11 917	1 388
Guarantee deposits		791	916	949
Other		-	3	11
			-	
Total		2 482	12 836	22 348
- current		1 692	7 811	21 197
- non-current		791	5 024	1 151

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

24.2. Other non - financial assets

Other non-financial assets

	Year ended 31 December 2011 (audited)	Year ended 31 December 2010 (audited)	Year ended 31 December 2009 (audited)
Insurance costs	698	579	492
Leasing charges	103	124	163
Expenditures for the acquisition of Grycksbo	-	-	1 919
Cogenaration certificates	1 133	361	192
Prepayments for services	3 980	3 352	1 564
Rental charges	1 462	1 363	1 079
Receivables due from pension fund	1 711	-	-
Other	1 772	1 497	328
Total	10 859	7 276	5 737
- current	8 708	6 714	5 153
- non-current	2 151	564	584

25. Impairment test of tangible and intangible assets

As on 31st December 2011 the Group performed impairment test of tangible and intangible assets in the paper mill Arctic Paper Mochenwangen.

The performance of the test in Arctic Paper Mochenwangen was connected with achieving by the mill a lower result than expected by the management of the Group. This was influenced by market conditions such as increase of raw materials prices, strengthtening of competition in the segment of paper produced by Mochenwangen mill.

In respect of the above, a decision had been made to perform a test on impairment using discounted cash flows method. The performed test resulted in creating an allowance on the grounds of impairment to the amount of PLN 11,021 thousand (PLN 16,186 thousand in 2010, PLN 0 in 2009). The description of the process as well as key assumptions have been presented as below.

The recoverable amount of the cash-generating unit selling AP Tech, L-Print and Pamo paper has been determined based on the value in use calculation using cash flow projections from financial budgets approved by the key management covering a five-year period from 2012 – 2016. The pre-tax discount rate applied to the cash flow projections is 9.80% and the cash flows beyond the five-year period are extrapolated using a 1.0% growth rate.

Key Assumptions used in value in use calculations

The calculation of value in use for Arctic Paper Mochenwangen cash-generating unit is most sensitive to the following factors:

- Discount rates
- Increase in sales prices
- Increase in energy prices
- Currency risk

Discount rate represents the assessment made by the management of the risks specific to the cash-generating unit. The discount rate is used by the management to assess the operating efficiency (results) and future investment propositions. In the budgeted period the discount rate amounts to 8.40%. The discount rate was determined using the weighted average cost of capital (WACC).

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

Increase in raw material prices (primarily prices of pulp) - assessments of change in raw materials prices are made using the ratios published based on the data regarding pulp prices. The main source of data used as a base for assumptions is Internet site: www.foex.fi. It should be mentioned that pulp prices are featured with high volitality.

Increase in energy prices - increase in energy prices, in particular coal which is a basic source of the energy, results from the assumptions used in the projections approved by the local management of Arctic Paper Mochenangen.

Currency risk - the risk relates to the purchase cost of raw materials used for production of paper, in particular to the purchase of pulp where costs are incurred mainly in USD. In projected period the USD/EUR exchange rate was set at the level of 0.7194.

Below table presents main assumptions used in calculation of value in use:

General assumption	2011	2010
Forecast based on years	2012-2016	2011-2015
Income tax rate	27.4%	27.4%
Pre-tax discount rate	9.8%	10.32%
Weighted average cost of capital	8.4%	8.1%
Growth in residual period	1.0%	1.6%

The following table presents the impairment loss recognized as on 31st December 2011:

	Historical vaue as at 31.12.2011	Vaule in use as at 31.12.2011
Tangible assets, therein:	59 371	48 349
- land	15 278	15 278
- buildings	1 223	912
- machinery and equipment	40 565	29 854
- assets under construction	2 306	2 306
Intangible assets	8 562	8 562
Working capital	17 031	17 031
Cash and equivalents	2 827	2 827
Total value	87 790	76 769
Impairment recognized in Profit and loss in 2011		11 021

The table below present the changes in impairment loss dependent on changes of particular parameters adopted for testing:

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

Parameters	Increase in basis points	Effect on impairment
Weighted average cost of capital	+0,1 p.p.	(1 121)
Growth in residual period	+0,1 p.p.	815
Sales volume in first year	+ 0,1%	2 186
Sales prices in first year	+ 0,1%	3 518
		-
Weighted average cost of capital	-0,1 p.p.	1 152
Growth in residual period	-0,1 p.p.	(794)
Sales volume in first year	- 0,1%	(2 186)
Sales prices in first year	- 0,1%	(3 518)

The impairment loss amounting to PLN 11,021 thousand was recognized in consolidated income statement for the year ended 31st December 2011 in the position cost of sales.

The impairment loss amounting to PLN 16,186 thousand was recognized in consolidated income statement for the year ended 31st December 2010 in the position cost of sales.

The Company performed a test for impairment in AP Grycksbo as on 31st December 2011 regarding property, plant and equipment as well as intangibles.

As a result of an analysis performed, no need for allowance on the grounds of impairment was confirmed as on 31st December 2011.

The table below presents main assumptions used in calculation of value in use:

General assumption	2011	2010
Forecast based on years	2012-2016	2011-2015
Income tax rate	26.3%	26.3%
Pre-tax discount rate	8.4%	8.4%
Weighted average cost of capital	8.0%	8.0%
Growth in residual period	1.0%	1.0%

The below table presents sensitivity of value in use dependent on changes of particular parameters adopted for testing:

Parameters	Increase in basis points	Effect on value in use
Weighted average cost of capital	+0,1 p.p.	(11 352)
Growth in residual period	+0,1 p.p.	9 113
		-
Weighted average cost of capital	-0,1 p.p.	11 681
Growth in residual period	-0,1 p.p.	(8 856)

26. Employees benefits

26.1. Employee share incentive plan

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

On 30th July 2009 the Extraordinary General Shareholders' Meeting adopted Resolution Number 4 on approving the assumptions of an incentive programme for key managers, issuing subscription warrants, entitling them to take up D Series shares excluding the pre-emptive rights.

Until 31st December 2011 there were agreements regarding acquiring these warrants executed to dispense 365 thousand warrants. Until the date of preparing of the consolidated financial statements none of the entitled persons has exercised the right to payable convertion of the warrants to the Company's shares.

26.2. Retirement and other post-employment benefits

The Group companies provide retirement benefits to retiring employees in accordance with the Labour Code in Poland applicable to Arctic Paper Kostrzyn S.A. and agreements with labour unions applicable to Arctic Paper Munkedals AB and Arctic Paper Mochenwangen GmbH. Arctic Paper Kostrzyn S.A. and Arctic Paper Grycksbo AB also operate Social Funds for future retirees.

As a result, based on the valuation made by professional actuarial companies in each country, the Group have created a provision for these future commitments.

The Group recognises these provisions in accordance with the corridor method. According to this method, actuarial gains or losses are only recognized if, at the end of the previous reporting period, they exceed 10% of the present value of the obligation.

Net pension costs for the defined benefit plans are summarized in the following table:

Retirement and other post-employment benefits

	Year ended 31 December 2011 (audited)	Year ended 31 December 2010 (audited)	Year ended 31 December 2009 (audited)
Current service cost	2 212	2 015	897
Interest on obligation	3 336	2 619	1 082
Recognized actuarial gain or loss	289	229	78
Total pension cost for defined benefit plans	5 837	4 862	2 057

The table below summarises the amounts of the provision and movements in the benefit liability over the years ending 31st December 2011, 31st December 2010 and 31st December 2009. The table also includes information about unrecognized actuarial losses and total pension obligations.

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

Social benefit

	Benefit plan in Sweden (AP SA branch office)	Benefit plan in Sweden (Munkedals)	Benefit plan in Sweden (Grycksbo)	Benefit plan in Poland (Kostrzyn)	Benefit plan in Germany (Mochenwangen)	Total
Pension provison at 1 January 2011	-	13 520	45 147	4 514	5 445	68 626
Cost of employment during current period	1 892	661	1 170	236	146	4 104
Interest costs	-	870	1 860	253	353	3 336
Adjustment of unrecognized actuarial	-		-	-	-	-
Actuarial gains or losses	-	306	(8)	-	(9)	289
Pensions paid	-	(183)	(2 168)	(253)	(155)	(2 758)
Foreign exchange diffrences	-	1 638	5 471	0	625	7 735
Pension provision at 31 December 2011	1 892	16 812	51 472	4 750	6 406	81 332
Unrecognized actuarial losses (+) and	-	6 863	(2 713)	413	(579)	3 984
Pension obligation at 31 December 2011	1 892	23 674	48 759	5 163	5 827	85 316

The value of unrecognized actuarial losses in 2011 in Sweden was influenced mainly by the change of discount rate value used in calculation of the provision.

	Benefit plan in Sweden (Munkedals)	Benefit plan in Sweden (Grycksbo)	Benefit plan in Poland (Kostrzyn)	Benefit plan in Germany (Mochenwangen)	Total	Total
Pension provison at 1 January 2010	10 803	44 518	4 252	5 378	64 951	64 951
Cost of employment during current period	747	858	287	123	2 015	2 015
Interest costs	714	1 340	263	301	2 619	2 619
Acquisition of subsidiaries		-	-	-	-	-
Actuarial gains or losses	258	-	9	(38)	229	229
Pensions paid	(123)	(1 570)	(297)	(123)	(2 112)	(2 112)
Foreign exchange diffrences	1 121	-	-	(196)	925	925
Pension provision at 31 December 2010	13 520	45 147	4 514	5 445	68 626	68 626
Unrecognized actuarial losses (+) and gains (-)	6 110	(2 426)	230	(725)	3 189	3 189
Pension obligation at 31 December 2010	19 629	42 721	4 744	4 720	71 815	71 815

* - value as on the date acquisition (the acquisition of the company occurred on 1st March 2010)

	Benefit plan in Sweden (Munkedals)	Benefit plan in Poland (Kostrzyn)	Benefit plan in Germany (Mochenwangen)	Total
Pension provison at 1 January 2009	9 617	3 811	5 207	18 635
Cost of employment during current period	227	540	130	897
Interest costs	532	234	316	1 082
Actuarial gains or losses	94	44	(61)	77
Pensions paid	(106)	(377)	(121)	(604)
Foreign exchange diffrences	437	-	(93)	344
Pension provision at 31 December 2009	10 803	4 252	5 378	20 433
Unrecognized actuarial losses (+) and gains (-)	5 401	639	(1 122)	4 918
Pension obligation at 31 December 2009	16 204	4 891	4 256	25 351

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

The principal assumptions used by the actuaries, in the particular balance sheet dates, in determining the retirement benefit obligations are presented below:

	Year ended 31 December 2011 (audited)	Year ended 31 December 2010 (audited)	Year ended 31 December 2009 (audited)
Discount rate (%)			
Plan in Sweden	3,8%	3,7%	3,9%
Plan in Poland	5,5%	5,5%	5,5%
Plan in Germany	5,0%	5,3%	5,3%
Future salary increases (%)			
Plan in Sweden	3,0%	3,0%	3,0%
Plan in Poland	3,0%	3,0%	3,0%
Plan in Germany	-	-	-
Remaining time of duty (in years)			
Plan in Sweden	15,3	14,6	16,7
Plan in Poland	15,5	15,5	13,4
Plan in Germany	13,6	13,9	14,4

26.3. Redundancy payments

During 2008 a redundancy program was initiated in Arctic Paper Munkedals AB. The program consisted of an offer of early retirement for employees aged 63 or more. The cost of the redundancy program in 2011 amounted to PLN 1,210 thousand. The cost of redundancy program in 2010 amounted to PLN 899 thousand. The cost of the redundancy program in 2009 amounted to PLN 1,049 thousand and PLN 147 thousand.

As on 31st December 2011, the Group has not recognized a provision on redundancy payments.

27. Inventories

Inventories

	As at 31 December 2011 (audited)	As at 31 December 2010 (audited)	As at 31 December 2009 (audited)
Raw materials (at cost)	151 683	138 685	79 753
Work-in-progress (at cost of development)	9 017	6 604	4 721
Finished goods and goods for resale, of which:			
At cost / cost of development	147 279	133 286	82 775
At net realisable value	7 128	12 474	534
Prepayments for supplies	34	-	-
Total inventories, at the lower of cost (or costs of development) and net realisable value	315 142	291 048	167 783

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

In the year ended 31st December 2011, the Group made a write-down of inventory of PLN 3,756 thousand (2010: PLN 2,091 thousand, 2009: PLN 6,679 thousand). In 2011 write-offs were not released (2010: PLN 981 thousand, 2009: PLN 647 thousand). The change of write-downs of inventories is recognized in cost of sales in the income statement. The write-down recognized related to finished goods and raw materials, slow-moving and burdened with the risk of being impaired, unsold or unusable for own need.

In the financial years ended 31st December 2011, 31st December 2010 and 31st December 2009, the Group had a pledge on all tangible assets amounting to SEK 600,000 thousand, PLN 171,600 thousand, EUR 20,000 thousand, and PLN 221,200 thousand, part of which was inventory.

As on 31st December 2011 inventories of finished goods in the amount of PLN 7,128 thousand were stated at net realizable value (as on 31st December 2010: PLN 12,474 thousand, 2009: PLN 534 thousand).

28. Trade and other recivables

Trade and other receivables

	Year ended 31 December 2011 (audtied)	Year ended 31 December 2010 (audtied)	Year ended 31 December 2009 (audtied)
Trade receivables	254 331	228 993	203 082
Budget receivables - VAT receivables	23 342	26 826	17 125
Other receivables from third parties	5 127	3 814	2 454
Other receivables from related parties	11 652	9 815	9 337
Total receivables, net	294 452	269 448	231 998
Doubtful debts allowance	21 653	22 122	22 492
Total receivables, gross	316 105	291 570	254 490

For terms and conditions relating to related party transactions, refer to note 36.

Trade receivables are non-interest bearing and are usually due within 30-90 days.

The Group has a policy to sell only to customers who have undergone an appropriate credit verification procedure.

Thanks to that, as Management believes, there is no additional credit risk that would exceed the doubtful debts allowance recognised for trade receivables of the Group.

As on 31st December 2011 trade receivables amounting to PLN 21,653 thousand (as on 31st December 2010: PLN 22,122 thousand; as at 31 December 2009: PLN 22,492 thousand) were considered irrecoverable, impaired and fully provided for.

Movements in the provision for impairment of receivables were as follows:

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

Movements in provision for impairment of receivables

	Year ended 31 December 2011 (audtied)	Year ended 31 December 2010 (audtied)	Year ended 31 December 2009 (audtied)
Provision for bad debts as at 1 January	22 122	22 492	6 757
Charge for the year	1 497	2 708	19 077
Utilisation	(633)	(1 610)	(183)
Unused amounts reversed	(1 807)	(1 771)	(3 202)
Result on translation of foreign entities	474	302	43
Provision for bad debts as at 31 December	21 653	22 122	22 492

The table below presents the analysis of trade receivables which as on 31st December 2011, 31st December 2010 and 31st December 2009 were past due but not considered irrecoverable:

	Total	Neither past due nor impaired	Past due but nor impaired				
			< 30 days	30 - 60 days	60 - 90 days	90 - 120 days	>120 days
As at 31 December 2011	254 331	213 802	32 280	3 591	569	524	3 564
As at 31 December 2010	228 993	191 110	30 649	3 225	567	641	2 801
As at 31 December 2009	203 082	182 105	14 375	3 001	779	469	2 353

In the section of '>120 days' the vast majority is constituted by receivables of Arctic Paper Munkedals AB amounting to PLN 3,074 thousand. Those receivables have not been impaired because, in long-term perspective's assessment of the Management, the receivables are recoverable.

29. Cash and cash equivalents

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three month depending on the immediate cash requirements of the Group and earned interest at the respective short-term deposit rates. The fair value of cash and cash equivalents as on 31st December 2011 amounted to PLN 166,299 thousand (31st December 2010: PLN 179,402 thousand, 31 December 2009: PLN 140,115 thousand).

As on 31st December 2011, the Group had un-drawn committed borrowing facilities in the amount of PLN 36,735 thousand (as on 31st December 2010: PLN 30,809 thousand, as on 31st December 2009: PLN 0).

As on 31st December 2011 the Group had an overdraft in the amount of PLN 33,069 thousand (as on 31st December 2010: PLN 41,260 thousand, as on 31st December 2009: PLN 0).

Balance of cash and cash equivalents disclosed in the cash flow statement consisted of the following:

Cash and cash equivalents

	As at 31 December 2011 (audited)	As at 31 December 2010 (audited)	As at 31 December 2009 (audited)
Cash at bank and in hand	166 299	179 073	139 879
Short-term deposits	-	329	235
Total	166 299	179 402	140 114

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

30. Share capital and reserve/other capital

30.1. Share capital

On 28th June 2012, the Company's Ordinary Shareholders Meeting adopted a resolution regarding decreasing the share capital of the Company by the amount of PLN 498,631,500 that is from the amount of PLN 554,035,000 to the amount of PLN 55,403,500 by decreasing the nominal value of each share by the amount PLN 9.00 that is from the amount of PLN 10.00 to the amount of PLN 1.00. The amount of the decrease shall be assigned to the Company's supplementary capital without payment to shareholders. The decrease of the share capital is purposed to adjust the face value of shares to the one that would allow for increase of the capital and issue of new shares(current report 12/2012).

Until the day of the hereby report, the decrease of share capital has not been recorded in National Court Register.

Becase of that, the consolidated data included in the hereby report do not take into account the consequences of the aforementioned resolution.

Equity securities

	As at 31 December 2011 (audited)	As at 31 December 2010 (audited)	As at 31 December 2009 (audited)
'A' class ordinary shares of PLN 10 each	500	500	500
'B' class ordinary shares of PLN 10 each	442 535	442 535	442 535
'C' class ordinary shares of PLN 10 each	81 000	81 000	81 000
'E' class ordinary shares of PLN 10 each	30 000	30 000	-
	554 035	554 035	524 035

	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	500 000
Issued on 12 September 2008	2008-09-12	44 253 468	442 534 679
Issued on 20 April 2009	2009-06-01	32	321
Issued on 30 July 2009	2009-11-12	8 100 000	81 000 000
Issued on 01 March 2010	2010-03-17	3 000 000	30 000 000
As at 31 December 2011 (audited)		55 403 500	554 035 000

30.1.1. Nominal value of shares

All issued shares have a nominal value of PLN 10 and have been fully paid.

30.1.2. Shareholders rights

All series shares give right to one vote per share. There are no shares with preferences relating to distribution of dividends or repayment of capital.

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

30.1.3. Shareholders with significant shareholding

Shareholders with significant shareholding

	As at 31 December 2011 (audited)	As at 31 December 20010 (audited)	As at 31 December 2009 (audited)
Trebruk AB			
Share in equity	74,80%	75,00%	79,30%
Share in votes	74,80%	75,00%	79,30%
Other shareholders			
Share in equity	25,20%	25,00%	20,70%
Share in votes	25,20%	25,00%	20,70%

30.2. Foreign currency translation reserve

The foreign currency translation reserve is adjusted with the exchange differences arising from translation of the financial statements of foreign subsidiaries.

30.3. Supplementary capital

Supplementary capital was created from the excess of emission value above the nominal value in 2009 in the amount of PLN 40,500 thousand, less cost of issue recognized as a reduction of supplementary capital in the amount of PLN 4,515 thousand PLN.

In 2010 the supplementary capital was increased by PLN 27,570 thousand resulting from the excess of emission value above the nominal value regarding the issue of Series E shares.

In 2010 a supplementary capital was created to cover loss in the amount of PLN 8,734 thousand as a result of dividing the financial result of Arctic Paper S.A. in compliance with Code of Commercial Companies article 396 (8% of prfit for the given financial year).

In 2011 a supplementary capital was created to cover loss in the amount of PLN 7,771 thousand as a result of dividing the financial result of Arctic Paper S.A. in compliance with Code of Commercial Companies article 396 (8% of prfit for the given financial year).

As on 31st December 2011 the total value of the Group's supplementary capital is PLN 80,060 thousand (31st December 2010: PLN 72,289 thousand, 31 December 2009: PLN 35,985 thousand).

30.4. Other reserve capital

Other reserve capital consist of the capital from the valuation of hedges and from the distribution of profits. The Group started using hedging transactions in the year 2009.

The following table shows changes in other reserve capital in the year ended 31st December 2011, 31st December 2010 and 31st December 2009, as well as comparatives:

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

Other reserves

	As at 31 December 2011 (audited)	As at 31 December 2010 (audited)	As at 31 December 2009 (audited)
Other reserves at the beginning of the reporting period	40 131	1 388	9 876
Changes in cash flow hedges			
Valuation of financial instruments, therein:	**(25 515)**	**10 679**	**1 874**
- FX forward	2 152	(2 154)	104
- Forward for electricity	(27 667)	12 833	1 770
Deferred tax, therein:	**6 868**	**(2 851)**	**(485)**
- FX forward	(408)	526	(20)
- Forward for electricity	7 276	(3 377)	(465)
Other changes			
Currency translation differences	-	-	-
Distribution of profits	89 364	30 914	-
Derecognition of deffered tax asset originally	-	-	(9 876)
Other reserves at the end of the reporting period	110 849	40 131	1 388

30.5. Retained earnings and limits to its distribution

Retained earnings in consolidated financial statements may include amounts that are not subject to distribution i.e. cannot be distributed in the form of dividend. Statutory financial statements of Group subsidiaries are prepared in accordance with local national accounting standards (except of Arctic Paper Kostrzyn S.A.) and companies' articles of association. Dividends may be distributed to the parent company based on the net profits in the local financial statements prepared for statutory purposes. Such local definition of retained earnings available for distribution are very often different from the definition of retained earnings in accordance with IFRS, which can be one factor of limitation of profit distribution. For example, local legal regulations often require certain reserve capital to be created from profits for possible future losses. Different accounting policies might also create different results between statutory local accounts and accounts for consolidation purposes.

Dividends may be distributed based on the net profit reported in the separate annual financial statements of Arctic Paper S.A. prepared for statutory purposes.

In accordance with the provisions of the Code of Commercial Companies, the parent company is required to create reserve capital for possible losses. Transferred to this capital category is 8% of profit for the given financial year recognised in the separate financial statements of the parent company until such time as the balance of the reserve capital reaches at least one third of the share capital of the parent company. Appropriation of the reserve capital and other reserves depends on the decision of the General Meeting of Shareholders; however, the reserve capital in the amount of one third of the share capital may be used solely for the absorption of losses reported in the standalone financial statements of the parent company and shall not be used for any other purpose.

Retained earnings/Accumulated losses presented in the balance sheet as on 31st December 2011 consist of the following items:

a) Accumulated losses in the amount of PLN -

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

10,358 thousand.

b) Consolidated profit for the year 2010 in the amount of PLN 28,816 thousand,

c) Division of standalone profit for 2009 in the amount of PLN 39,648 thousand and for 2010 in the amount of PLN 97,135 thousand,

d) Consolidated profit for 2011 in the amount of PLN 12,066 thousand.

As on 31st December 2011 there are no other limitations concerning the payout of the dividend.

30.6. Non-controlling interests

Non-controlling interest

	As at 31 December (audited)	As at 31 December 2010 (audited)	As at 31 December 2009 (audited)
At the beginning of the period	225	225	225
Dividends paid by subsidiaries	-	-	-
Acquisition of a company	-	-	-
Changes in the shareholding structure of subsidiar	-	-	-
Shares in subsidiaries' net profit or loss	-	-	-
At the end of the period	225	225	225

31. Interest-bearing loans, borrowings and bonds

Interest-bearing loans and borrowings

Current liabilities	Maturity	As at 31 December 2011 (audited)	As at 31 December 2010 (audited)	As at 31 December 2009 (audited)
Other financial liabilities				
Obligations under finance leases and hire purchase contracts	till 31-12-2012	7 987	7 913	5 195
Factoring in SEK in SHB		46 507	2 606	1 368
Factoring in EUR in GE capital		1 378	-	-
Derivatives		4 292	-	-
Other liabilities	31-12-2012	219	575	-
Interest-bearing loans, borrowings and bonds:				
BRE Bank bonds	till 31-12-2012	6 200	68 723	-
PLN bank overdraft in Bank Polska Kasa Opieki S.A.		20 749	41 260	-
PLN bank loan in Bank Polska Kasa Opieki S.A. (current part)	till 31-12-2012	13 711	28 716	1 401
SEK bank loan in Bank Polska Kasa Opieki S.A. (current part)		-	1 562	1 415
EUR bank loan in Bank Polska Kasa Opieki S.A. (current part)	till 31-12-2012	14 263	88 458	14 033
SEK bank loan in Bank Svenska Handelsbanken		-	22 075	-
EUR bank loan in Bank HypoVereinsbank		-	9 525	-
SEK bank overdraft in SHB		12 320		-
SEK bank loan in Accent Equity		-	31 792	-
Total current financial liabilities		127 625	303 205	23 412

Non-current	Maturity	As at 31 December 2011 (audited)	As at 31 December 2010 (audited)	As at 31 December 2009 (audited)
Other financial liabilities				
Obligations under finance leases and hire purchase contracts	15-01-2015	41 541	43 681	10 965
Derivatives		2 736	-	-
Interest-bearing loans, borrowings and bonds:				
BRE Bank bonds	25-02-2013	199 814	119 571	-
PLN bank loan in Bank Polska Kasa Opieki S.A. (current part)	23-10-2014	17 754	10 210	38 676
SEK bank loan in Bank Polska Kasa Opieki S.A. (current part)	-	-	10 083	10 540
EUR bank loan in Bank Polska Kasa Opieki S.A. (current part)	23-10-2014	99 694	52 841	145 429
SEK bank loan in Bank Svenska Handelsbanken	-	-	-	-
EUR bank loan in Bank HypoVereinsbank	30-03-2011	-	-	9 464
SEK bank loan in Accent Equity	-	-	-	-
Total non-current financial liabilities		361 540	236 386	215 074

31.1. Loans and borrowings

On 23rd October 2008 Arctic Paper S.A., Arctic Paper Kostrzyn S.A., Arctic Paper Munkedals AB and Arctic Paper Investment GmbH entered into a facility agreement with Bank Polska Opieki consisting of three tranches:

- SEK 300,000 thousand; repayment in 2009 as a result of an Initial Public Offering,
- EUR 10,000 thousand to be repaid in equal instalments over 5 years;
- PLN 196,400 thousand of which PLN 85,800 are to be repaid by instalments over 6 years and PLN 110,600 thousand to be repaid on termination in 3 years.

The purpose of the loans has been to: repay SEK 300,000 thousand promissory notes for the acquisition of Arctic Paper Munkedals AB and Arctic Paper sales offices; EUR 10,000 thousand was distributed to partly finance the acquisition of Mochenwangen Papier GmbH; PLN 196,400 thousand for refinancing of existing debt and providing working capital for the Arctic Paper S.A. Group further activities.

As a collateral for the repayment of the loan to Bank Polska Kasa Opieki S.A. the Company has pledge on all bank accounts as well as pledge of shares of Arctic Paper Kostrzyn, Arctic Paper Munkedals and Arctic Paper Investment GmbH.

Interest of loans and borrowings had by the Group as on 31st December 2011 was as follows:

- bank loan from Bank Polska Kasa Opieki S.A. – base rate EURIBOR increased by bank margin, which depends on net debt in relation to EBITDA for specified period (dependable from tranche and currency of the loan),
- credit in the current account in Svenska Handelsbanken – interest rate 6.85%, does not depend on financial indicators.

During twelve months period ended on 31st December 2011 the Group repaid the credits and loans in the amount of PLN 126,336 thousand.

The repayments were mostly related to settlement of a credit from Bank Polska Kasa Opieki S.A. in amount of PLN 60,183 thousand (tranches in PLN, EUR, SEK), credit from Svenska Handelsbanken bank in amount of PLN 22,804 thousand (tranches in SEK), loan from Accent Equity in the amount of PLN 33,088 thousand (tranches in SEK), loan from HVB in the amount of PLN 10,011 thousand (tranches in EUR.

On 15th February 2011 the subsidiary of Arctic Paper S.A. - Arctic Paper Munkedals AB - repaid its debt to Bank Polska Kasa Opieki S.A. utilized under the facility agreement dated 23rd October 2008 (with subsequent amendments) ("Facility Agreement").

Due to the repayment of the debt to Bank Polska Kasa Opieki S.A. Arctic Paper Munkedals AB was released from any obligations under the Facility Agreement and ceased to be party of the Facility Agreement.

Funds for repayment of the debt to Bank Polska Kasa Opieki S.A. were raised by Arctic Paper Munkedals AB from Svenska Handelsbanken AB.

On 30th March 2011, the Company and its subsidiaries, that is Arctic Paper Kostrzyn, Arctic Paper Investment GmbH and Arctic Paper Mochenwangen GmbH concluded with the Bank Polska Kasa Opieki SA another amendment (the "Amendment") to the facility agreement dated 23rd October 2008 ("Facility Agreement"). Under the Amendment, the Bank Polska Kasa Opieki SA agreed to postpone until 30th March 2012 the final repayment date of the current account credit of up to PLN 50,000,000 ("the facility C") granted to Arctic Paper Kostrzyn S.A. Other terms of Facility C and provisions of Facility Agreement remained unchanged. The Company informed about the terms of the Facility C in the current report no. 30/2010 dated 17th June 2010.

In connection with the extension of Facility C repayment date, the validity for the loan security, i.e. joint-capped mortgage of up to PLN 100 million and authorization to manage bank accounts of Arctic Paper Kostrzyn S.A. held at Bank Polska Kasa Opieki S.A. has been modified accordingly.

Following the conclusion of the Amendment dated 30th March 2011, Arctic Paper Kostrzyn further submitted itself to execution pursuant to Article 777 § 1 item 5 of the Code of Civil Procedure up to the amount of PLN 100 million for the benefit of Bank Polska Kasa Opieki S.A.

There are no provisions concerning contractual penalties in the Annex.

On 19th October 2011 Arctic Paper S.A. ("Company") and its subsidiaries, that is Arctic Paper Kostrzyn S.A, Arctic Paper Mochenwangen GmbH, Arctic Paper Investment GmbH, concluded another amendment with Bank Polska Kasa Opieki S.A. to the facility agreement dated on 23rd October 2008 ("Facility Agreement").

Under the Amendment, the Bank Polska Kasa Opieki SA agreed to postpone until 31st January 2013 the final repayment date of the term loan of tranche B ("the facility B") of up to PLN 104,862,803 and the current account credit of up to PLN 50,000,000 ("the facility C"), granted to Arctic Paper Kostrzyn S.A., Arctic Paper Mochenwangen GmbH and Arctic Paper Investment GmbH.

In the scope of the Amendment quarterly repayments of facility B have been also agreed to 5 installments in the range of from PLN 2.2 million to PLN 3.8 million each, while the due date of the last installment shall be 31st December 2012. The rest due amount of the facility B that is PLN 90,800,000 shall be repaid until 31st January 2013.

Other terms of Facility B and Facility C as well as the provisions of Facility Agreement remained unchanged.

In connection with the extension of the due term of repayment of the Facility B and Facility C, the periods for which the guarantees for Facility B and Facility C had been established, that is

1. joint capped mortgages, each of up to PLN 221,200,000, ensuring the repayment of the Facility B by the Company, Arctic Paper Kostrzyn S.A. and Arctic Paper Mochenwangen GmbH;

2. joint capped mortgage of up to PLN 100,000,000 PLN, ensuring the repayment of Facility C by the Company;

have been extended accordingly.

Following the conclusion of the Amendment, the Company and Arctic Paper Kostrzyn S.A. submitted themselves to execution pursuant to Article 777 § 1 item 5 of the Code of Civil Procedure for the benefit of Bank Polska Kasa Opieki S.A.

There are no provisions concerning contractual penalties in the Annex.

In connection with concluding of the another amendment on 19th October 2011 by Arctic Paper S.A. ("Company") with its subsidiaries, that is Arctic Paper Kostrzyn S.A., Arctic Paper Investment GmbH and Arctic Paper Mochenwangen GmbH, with Bank Polska Kasa Opieki S.A. to the facility agreement dated on 23rd October 2008 ("Facility Agreement"). t, on 20th October 2011 Arctic Paper Kostrzyn S.A., on the basis of a statement of a notary act, changed the content of:

1. joint capped mortgage up to PLN 221,000,000 established for Bank Polska Kasa Opieki S.A. to guarantee the repayment of the Company's liability for Bank Polska Kasa Opieki SA on the grounds of Facility B (as stated in paragraph 19.1. of the hereby report) ("Mortgage 1"), disclosed in land and mortgage register under no GW1S/00025123/4, GW1S/00026787/3, GW1S/00005360/1 and GW1S/00025698/5. The change consists in disclosing the date of 31st January 2013 as the due date of Facility B;

2. joint capped mortgage up to PLN 221,000,000

established for Bank Polska Kasa Opieki S.A. to guarantee the repayment of Arctic Paper Kostrzyn SA liability for Bank Polska Kasa Opieki SA on the grounds of Facility B (as stated in paragraph 19.1. of the hereby report) ("Mortgage 2"), disclosed in land and mortgage register under no GW1S/00025123/4, GW1S/00026787/3, GW1S/00005360/1 and GW1S/00025698/5. The change consists in disclosing the date of 31st January 2013 as the due date of Facility B;

3. joint capped mortgage up to PLN 221,000,000 established for Bank Polska Kasa Opieki S.A. to guarantee the repayment of Arctic Paper Mochenwangen GmbH liability for Bank Polska Kasa Opieki SA on the grounds of Facility B (as stated in paragraph 19.1. of the hereby report) ("Mortgage 3"), disclosed in land and mortgage register under no GW1S/00025123/4, GW1S/00026787/3, GW1S/00005360/1 and GW1S/00025698/5. The change consists in disclosing the date of 31st January 2013 as the due date of Facility B; and

4. joint capped mortgage up to PLN 100.000.000 established for Bank Polska Kasa Opieki S.A. ("Mortgage 4") disclosed in land and mortgage register under no GW1S/00025123/4, GW1S/00026787/3, GW1S/00005360/1 and GW1S/00025698/5. The change consists in disclosing the date of 31st January 2013 as the due date of Facility C.

Mortgage 1, Mortgage 2, Mortgage 3 and Mortgage 4 are hereinafter referred to as "Mortgages".

The land and mortgage register no GW1S/00025123/4 is kept for real estate of Arctic Paper Kostrzyn S.A. property, whereas the land and mortgage registers no GW1S/00026787/3, GW1S/00005360/1 and GW1S/00025698/5 are kept for real estates of Arctic Paper Kostrzyn S.A. perpetual usufruct. Mortgage 1, Mortgage 2 and Mortgage 3 have equal highest priority, whereas Mortgage 4 is recorded in the land and mortgage register in secondary position. The real estates that have been encumbered with mortgages are located in Kostrzyn nad Odrą and serve for conducting primary business activity of Arctic Paper Kostrzyn S.A. The recorded value in the land and mortgages register of the Arctic Paper Kostrzyn S.A. real estates that have been encumbered with mortgages amounts to PLN 110,635,000.

The other changes in value of loans and borrowings as on 31st December 2011, compared to 31st December 2010, result only from balance sheet evaluation.

31.2. Bonds

In the 12-month period ended 31st December 2011 the Group performed the redemption of zero-coupon bonds series 02/2010 in the amount of PLN 66 million.

On 10th February 2011 the coupon bonds of 1/2011 series were issued. The bonds are unsecured bearer bonds with PLN 100,000 face value each. The total number of bonds issued under the 1/2011 series is 800 with combined face value of PLN 80 million. The issue price of each bond is PLN 100,000. Net proceeds from the issue amounting to PLN 80 million were used for re-financing of the Issuer's debt.

On 25th February 2013 („Redemption Date") the Issuer, acting through the Payment Agent, will pay the Principal Amount (face value) of each bond. Payments for the bonds will be made to bondholders entered in the Register as of the Rights Attribution Date. If however the Redemption Date is not a Working Day, the Principal Amount will be paid on the first Working Day immediately after the Redemption Date without any claim for delay interest or other charges. All redeemed bonds will be immediately remitted.

The bonds are bearing interest from the Issue Date (inclusive) until the Redemption Date at a variable rate comprising the base rate – WIBOR 6M – and a margin. On every Interest Payment Date the Issuer, acting through the Payment Agent, will pay the Interest Amount to bondholders entered in the Register as of the Rights Attribution Date. Interest will be paid in arrears,

The bonds do not include any non-monetary rights to the Issuer.

Information on the bond issue is included in current reports No. 3/2011 dated 8th February 2011 and 4/2011 dated 10th February 2011.

31.3. Collaterals

2011

In connection with loans taken in Polska Kasa Opieki S.A. bank the Group had:

- pledge on shares of Arctic Paper Kostrzyn, Arctic Paper Munkedals, Arctic Paper Mochenwangen for the benefit of Polska Kasa Opieki S.A. bank;
- pledge on bank accounts of Arctic Paper S.A., Arctic Paper Kostrzyn, Arctic Paper Munkedals, Arctic Paper Mochenwangen for the benefit of Polska Kasa Opieki S.A. bank;
- assignments of rights from Insurance Policies of Arctic Paper Kostrzyn, and Arctic Paper Munkedals in favor of Bank Polska Kasa Opieki
- mortgages amounting to the following: SEK 600,000 thousand, PLN 171,600 thousand, PLN 221,200 thousand, EUR 20,000 thousand, for Arctic Paper Kostrzyn, Arctic Paper Munkedals, and Arctic Paper Mochenwangen in favor of Bank Polska Opieki S.A.
- registered pledges over the total assets of value: SEK 600,000 thousand, PLN 171,600 thousand, PLN 221,200 thousand, EUR 20,000 thousand, for Arctic Paper Kostrzyn, Arctic Paper Munkedals, Arctic Paper Mochenwangen in favor of Bank Polska Opieki S.A.
- joint capped mortgage as collateral for the loan B to a maxiumum amount of PLN 221,000 thousand over the property held in perpetual usufruct of Arctic Paper Kostrzyn S.A., as disclosed in land registers no. GW1S/00025123/4, GW1S/00027787/3, GW1S/00005360/1 and GW1S/00025698/5,
- joint capped mortgage as collateral for the loan C to a maxiumum amount of PLN 100,000 thousand over the property held in perpetual usufruct of Arctic Paper Kostrzyn S.A., as disclosed in land registers no. GW1S/00025123/4, GW1S/00027787/3, GW1S/00005360/1 and GW1S/00025698/5.

Arctic Paper Kostrzyn S.A. had also in 2011 blank bills of exchange as collateral for the loease agreement concluded with Bankowy Leasing S.A. and with Bankowy Fundusz Leasingowy S.A.

Apert from the mentioned above, the Group reports collaterals on assets on the grounds of loan taken in Arctic Paper Grycksbo in Svenska Handelsbanken bank, that is:

- pledge on assets in the amount of SEK 65,000 thousand,
- mortgage on real estates in the amount of SEK 20,000 thousand,
- pledge on assets of Grycksbo Paper Holding AB in the amount of SEK 254,743 thousand.

2010

- blank bill of exchange, as collateral for the lease agreement concluded with Bankowy Fundusz Leasingowy S.A.,
- blank bill of exchange, as collateral for the lease agreement concluded with Bankowy Leasing S.A.,
- blank bill of exchange, as collateral for the lease agreement concluded with Siemens Finance,
- warranty of blank bill of exchange, as collateral for the lease agreement concluded with Bankowy Fundusz Leasingowy (EC),
- Pledge of shares of Arctic Paper Kostrzyn, Arctic Paper Munkedals, Arctic Paper Mochenwangen in favor of Bank Polska Kasa Opieki S.A.
- pledge on bank accounts of Arctic Paper S.A., Arctic Paper Kostrzyn, Arctic Paper Munkedals, Arctic Paper Mochenwangen for the benefit of Polska Kasa Opieki S.A. bank,
- assignments of rights from Insurance Policies of Arctic Paper Kostrzyn, and Arctic Paper Munkedals in favor of Bank Polska Kasa Opieki
- mortgages amounting to the following: SEK 600,000 thousand, PLN 171,600 thousand, PLN 221,200 thousand, EUR 20,000 thousand, for Arctic Paper Kostrzyn, Arctic Paper Munkedals, and Arctic Paper Mochenwangen in favor of Bank Polska Opieki S.A.
- registered pledges over the total assets of

value: SEK 600,000 thousand, PLN 171,600 thousand, PLN 221,200 thousand, EUR 20,000 thousand, for Arctic Paper Kostrzyn, Arctic Paper Munkedals, Arctic Paper Mochenwangen in favor of Bank Polska Opieki S.A.

■ joint capped mortgage as collateral for the loan C to a maximum amount of PLN 100,000 thousand over the property held in perpetual usufruct of Arctic Paper Kostrzyn, land registers no. GW1S/00027787/3, GW1S/00005360/1 and GW1S/00025698/5

■ emission rights in the amount of EUR 1,420 thousand in favour of Hypovereinsbank.

2009

■ blank bill of exchange, as collateral for the lease agreement concluded with Bankowy Fundusz Leasingowy S.A.,

■ blank bill of exchange, as collateral for the lease agreement concluded with Bankowy Leasing S.A.,

■ blank bill of exchange, as collateral for the lease agreement concluded with Siemens Finance,

■ warranty of blank bill of exchange, as collateral for the lease agreement concluded with Bankowy Fundusz Leasingowy (EC),

■ Pledge of shares of Arctic Paper Kostrzyn, Arctic Paper Munkedals, Arctic Paper Mochenwangen in favor of Bank Polska Kasa Opieki S.A.

■ Pledge on bank accounts of Arctic Paper SA, Arctic Paper Kostrzyn, Arctic Paper Munkedals, Arctic Paper Mochenwangen in favor of Bank Polska Kasa Opieki S.A.

■ Assignments of rights from Insurance Polisies of Arctic Paper Kostrzyn, and Arctic Paper Munkedals in favor of Bank Polska Kasa Opieki

■ Registered mortgages of value : 600 000 thousand of SEK, 171 600 thousand of PLN, 221 200 thousand of PLN, 20 000 thousand of EUR for Arctic Paper Kostrzyn, Arctic Paper Munkedals, and Arctic Paper Mochenwangen in favor of Bank Polska Opieki S.A.

■ Registered pledges on chattels and rights of value: 600 000 thousand of SEK, 171 600 thousand of PLN, 221 200 thousand of PLN, 20 000 thousand of EUR for Arctic Paper Kostrzyn, Arctic Paper Munkedals, Arctic Paper Mochenwangen in favor of Bank Polska Opieki S.A.

■ Emission rights with a carrying amount of PLN 5,834 thousand in favour of Hypovereinsbank.

32. Provisions

32.1. Movements in provisions

The table below presents movements In provisions in the years 2009-2011:

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

Movements in provision

	Post-employment benefits	Other provisions	Total
At 1 January 2011	68 626	16 965	85 591
Recognised during the year	7 729	5 437	13 167
Utilised	(2 758)	(10 335)	(13 094)
Unused amounts reserved	-	-	-
Foreign exchange adjustment	7 735	827	8 561
At 31 December 2011, therein:	81 332	12 894	94 226
- current	-	10 398	10 398
- non-current	81 332	2 495	83 827
At 1 January 2010	20 433	10 957	31 390
Acquistion of subsidiary	44 518	-	44 518
Recognised during the year	4 862	12 517	17 379
Utilised	(2 112)	(2 483)	(4 595)
Unused amounts reserved	-	(4 851)	(4 851)
Foreign exchange adjustment	925	825	1 750
At 31 December 2010, therein:	68 626	16 965	85 591
- current	-	13 689	13 689
- non-current	68 626	3 277	71 902
At 1 January 2009	18 635	11 627	30 262
Recognised during the year	2 057	7 765	9 822
Utilised	(604)	(2 035)	(2 639)
Unused amounts reserved	-	(6 289)	(6 289)
Foreign exchange adjustment	344	(111)	233
At 31 December 2009, therein:	20 433	10 957	31 389
- current	-	9 442	9 442
- non-current	20 432	1 516	21 948

* - value as on the date of acquisition (the acquisition of the company occurred in 1st March 2010)

The single largest item among other provisions are liabilities on redemption of emission rights with a carrying amount of PLN 7,858 thousand in the financial information for the year ended 31st December 2011 and PLN 6,290 thousand in the financial information for the year ended 31st December 2010 (PLN 7,734 in the financial year ended 31 December 2009).

32.2. Warranty provisions

A provision is recognised for expected warranty claims and returns of products, based on past experience of the level of repairs and returns. Warranty provision at the end of 2011 amounted to PLN 530 thousand (as on 31st December 2010: PLN 246 thousand, as on 31st December 2009: PLN 456 thousand), and related only to Arctic Paper Mochenwangen.

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

33. Trade and other payables, other liabilities, accruals and deferred income

33.1. Trade and other payables (short-term)

Trade and other payables (short-term)

	As at 31 December 2011 (audited)	As at 31 December 2010 (audited)	As at 31 December 2009 (audited)
Trade payables:			
To related parties	9 429	10 631	4 873
To third parties	351 731	309 884	133 950
	361 160	320 515	138 823
Taxations, customs duty, social security and other payables			
VAT	3 832	2 333	3 063
Excise tax	510	323	299
Personnel withholding tax (Personnel income tax)	5 424	4 956	3 038
Property taxes	678	730	347
Liabilities for social security contributions	8 116	6 869	6 563
Customs liabilities	34	533	372
	18 593	15 744	13 682
Other liabilities			
Renumeration payable to employees	4 530	3 904	3 671
Pension liabilities	6 541	8 111	-
Investment liabilities	8 978	11 295	10 739
Environmental liabilities	232	250	234
Liabilities due to Golzern	13	3 181	-
Prepayments	1 931	1 007	-
Other liabilities	1 083	1 075	1 048
	23 308	28 823	15 692
TOTAL	403 057	365 082	168 197

Terms and conditions of financial liabilities presented above:

- for terms and conditions of transactions with related parties, refer to note 36.3;
- trade payables are non-interest bearing and are normally settled within 60 days;
- other payables are non-interest bearing and have an average payment term of 1 month.
- the amount which results from the difference between liabilities and VAT receivables is paid to appropriate tax authorities on a monthly basis.

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

33.2. Accruals and deferred income

Accruals and deferred income

	As at 31 December 2011 (audited)	As at 31 December 2010 (audited)	As at 31 December 2009 (audited)
Accruals			
Employee costs	51 335	46 997	28 753
Audit and legal services	530	927	778
Freight costs	2 256	3 623	660
Marketing costs	-	-	1 340
Insurance costs	-	-	637
Claims	1 014	917	668
Costs of energy certificates	5 705	-	-
Costs of energy	4 315	679	-
Other	2 031	2 948	2 625
	67 186	56 089	35 461
Deferred income			
Grant from Ekofundusz	20 930	22 332	23 736
Grant from NFOŚiGW	16 601	17 919	19 234
Other	-	76	-
	37 531	40 327	42 970
TOTAL	104 717	96 416	78 431
- short-term	69 907	58 889	38 182
- long-term	34 810	37 528	40 249

The main items included in accruals for employee costs are vacation pay liabilities, bonuses to employees and redundancy payments.

34. Capital commitments (unaudited)

As on 31st December 2011, the Group has commitments of PLN 8,977 thousand for capital expenditures related to property, plant & equipment. These expenditures will be incurred for acquisition of new plant and equipment.

As on 31st December 2010, the Group's commitments to purchase property, plant & equipment amounted to PLN 11,295 thousand.

At 31 December 2009, the Group's commitments to purchase property, plant & equipment amounted to PLN 10,739 thousand.

35. Contingent liabilities

As on 31st December 2011, the Capital Group reported:

- a bill of exchange guarantee issued by the AP Kostrzyn S.A. to the amount of credit and lease agreement in favour of the National Fund for Environment Protection and Water Management in the amount of PLN 20,352 thousand, A detailed description was presented in these consolidated financial information (Note 44.1)
- a bill of exchange in favour of Bankowy Leasing in the amount of PLN 9,848 thousand,
- a guarantee of a bill of exchange in favour of Bankowy Fundusz Leasingowy in the amount of PLN 15,023 thousand,
- a pledge on movables of Arctic Paper Munkedals AB resulting from factoring agreement with Svenska

As at 31 December 2010, the Capital Group reported:

- a bill of exchange guarantee issued by the AP Kostrzyn S.A. to the amount of credit and lease agreement in favour of the National Fund for Environment Protection and Water Management in the amount of PLN 20,352 thousand, A detailed description was presented in these consolidated financial information (Note 44.1)
- a bill of exchange in favour of Siemens Finance in the amount of PLN 819 thousand,
- a bill of exchange in favour of Bankowy Leasing in the amount of PLN 9,848 thousand,
- a guarantee of a bill of exchange in favour of Bankowy Fundusz Leasingowy in the amount of PLN 15,023 thousand,
- a guarantee commitment to FPG for the mutual life insurance company PRI in the amount of SEK 2,012 thousand,
- a bank guarantee in favour of Skatteverket Ludvika in the amount of SEK 135 thousand.

On 25 March 2010 Company issued a guarantee for Cartiere del Garda S.P.A. – supply of paper distribution companies (Arctic Paper Sweden AB, Arctic Paper

Handelsbanken AB in the amount of SEK 160,000 thousand;

- a guarantee commitment to FPG for the mutual life insurance company PRI in the amount of SEK 50,000 thousand,
- a bank guarantee in favour of Skatteverket Ludvika in the amount of SEK 135 thousand.
- a guarantee in favor of Cartiere del Garda S.P.A. dated 25th March 2010 – the supplier of paper to Distribution Comapnies (Arctic Paper Sweden AB, Arctic Paper Danmark A/S, Arctic Paper Norge AS). The guarantee amounts to total EUR 900 thousand and expires on 31st December 2012;
- a bank guarantee in favor of UPM GmbH in the amount of EUR 1,000 thousand.

Danmark A/S, Arctic Paper Norge AS). The guarantee amounted to EUR 900 thousand and is valid until 31 December 2012 thousand.

As at 31 December 2009, the Capital Group reported:

- a bill of exchange guarantee issued by the Group to the amount of credit and lease agreement in favour of the National Fund for Environment Protection and Water Management in the amount of PLN 20,352 thousand,
- a bill of exchange in favour of Siemens Finance in the amount of PLN 819 thousand,
- a bill of exchange in favour of Bankowy Leasing in the amount of PLN 9,848 thousand,
- a guarantee of a bill of exchange in favour of Bankowy Fundusz Leasingowy (EC) in the amount of PLN 15,023 thousand,
- a guarantee commitment to FPG for the mutual life insurance company PRI in the amount of SEK 500 thousand,
- a bank guarantee in favour of Skatteverket Ludvika in the amount of SEK 66 thousand.

35.1. Legal claims

The case against PGNiG S.A

On 26th August 2010 Arctic Paper Kostrzyn S.A. filed a lawsuit to determine the price for fuel gas sold to Arctic Paper Kostrzyn S.A. by PGNiG S.A. The case was examined by Arbitrary Court to the Polish Chamber of Commerce. The claim was based on the provisions of the agreement concluded by and between Arctic Paper Kostrzyn S.A. and PGNiG S.A., which allows, in case of gas prices increase more that 10% in the particular contractual year, to apply for negotiations and further to address the case to be decided by the Arbitrary Court. The case was ended with an unfavorable decision for Arctic Paper Kostrzyn S.A.

The case against Cezex Sp. z o.o.

On 8th October 2009 and on 27th November 2009 Arctic Paper Kostrzyn S.A. filed a claim against Cezex Sp. z o.o. with the District Court in Gorzów Wielkopolski.

The value of the dispute includes respectively:

- the principal of PLN 11,240 thousand and interest of PLN 325 thousand accrued until the date of filing the claim,
- the principal of PLN 174 thousand and interest accrued in the amount of PLN 2 thousand.

The case pertains to the failure of Cezex Sp. z o.o. to pay its liability to Arctic Paper Kostrzyn S.A. for the purchase of goods in the period from 11th February 2009 to 1st July 2009. Receivables from Cezex Sp. z o.o. were secured in favor of Arctic Paper Kostrzyn S.A. by mortgage on the counterparty's real property. Moreover, an allowance for doubtful debts was established for their entire value.

On 21st December 2009 the court declared bankruptcy of Cezex Sp. z o.o. with an option of concluding a settlement by the parties. According to the initial settlement proposals, amounts due to Arctic Paper Kostrzyn S.A. will be covered by a separate agreement providing for their full repayment, because the receivables secured with mortgage on the real property owned by Cezex Sp. z o. o. are not covered by the settlement. On 18th May 2011 the Court declared the liquidation bankruptcy of Cezex Sp. z o.o. As a result of the bankrupt complaint, the Court cancelled the decision from 18th May 2011. On 7th February 2012, the District Court declared the liquidation bankruptcy of Cezex Sp. z o.o again.

As on 31st December 2011 the Group has established an allowance for doubtful debts for the full value of receivables from Cezex Sp. z o.o.

The case against Jakon SA in liquidation

On 15th April 2010 a lawsuit was filed against Jakon SA in liquidation and Jan Dziedzic, the lawsuit includes a claim of Arctic Paper Kostrzyn SA against Jakon SA in liquidation.

The claim concerns the total receivable amounting to PLN 2,004 thousand. This claim is secured by a mortgage on the property of a guarantor Mr Jan Dziedzic to the amount of PLN 2,000 thousand. On 7th February 2011 a bankruptcy liquidation of Jakon S.A. was announced. Currently there are proceedings held against Jan Dziedzic as a guarantor. The Court issued the payment order in the writ-of-payment proceedings, there was an objection raised by the defendant, the case is still in progress.

As on 31st December 2011 the Group made allowance for doubtful debts for full amount of receivables from Jakon S.A. in liquidation.

As on 31st December 2011 the companies of the Group are not parties to any other lawsuits.

35.2. Tax settlements

Tax settlements, together with other areas of legal compliance (e.g. customs or foreign exchange law) are subject to review and investigation by a number of authorities, which are entitled to impose severe fines, penalties and interest charges. The lack of reference to well established regulations in Poland results in a lack of clarity and integrity in the regulations. Frequent contradictions in legal interpretations both within government bodies and between companies and government bodies create uncertainties and conflicts. These facts create tax risks in Poland that are substantially more significant than those typically found in countries with more developed tax systems.

Tax authorities may examine the accounting records within up to five years after the end of the year in which the final tax payments were to be made. Consequently, the Group may be subject to additional tax liabilities, which may arise as a result of additional tax audits.In Group's opinion as on 31st December 2011 proper provision was created to cover recognized and countable tax risk.

36. Related party disclosures

Arctic Paper S.A. Group's related parties are:

- Trebruk AB – parent company of Arctic Paper S.A. Group,
- Arctic Paper Håfreströms – paper mill (within the proces of liquidation), subsidiary of Trebruk AB.
- Rottneros – a group of companies operating in pulp and paper industry, related by capital with Nemus Holding AB.
- Galileus Sp.z o.o. Sp.k. – company related to the Member of the Management Board

The table below presents the total values of transactions with related parties entered into during the years 2009-2011:

Transactions with related parties entered

Data for the period from 1 January 2011 to 31 December 2011 and as at 31 December 2011 (PLN thousands)

Related party	Sales to related parties	Purchases from related parties	Interest – financial income	Interest – financial costs	Receivables from related parties	Loans granted	Payables to related parties
Trebruk AB	-	-	-	-	3 957	-	-
Arctic Paper Håfreström	-	1 552	-	-	7 696	-	-
Rottneros	-	54 400	-	-	-	-	9 425
Galileus Sp.z o.o.Sp.k.	-	116	-	-	-	-	4
Total	-	56 068	-	-	11 652	-	9 429

Data for the period from 1 January 2010 to 31 December 2010 and as at 31 December 2010 (PLN thousands)

Related party	Sales to related parties	Purchases from related parties	Interest – financial income	Interest – financial costs	Receivables from related parties	Loans granted	Payables to related parties
Trebruk AB	322	801	312	-	3 570	-	-
Arctic Paper Håfreström	691	(2)	-	-	6 245	-	27
Rottneros	-	54 479	-	-	-	-	10 604
Total	1 013	55 278	312	-	9 815	-	10 631

Data for the period from 1 January 2009 to 31 December 2009 and as at 31 December 2009 (PLN thousands)

Related party	Sales to related parties	Purchases from related parties	Interest – financial income	Interest – financial costs	Receivables from related parties	Loans granted	Payables to related parties
Trebruk AB	46	5 747	294	4	3 573	20 000	74
Arctic Paper Håfreström	7 963	493	-	-	5 764	-	1 259
Rottneros	-	53 713	-	-	-	-	3 540
Total	8 009	59 953	294	4	9 337	20 000	4 873

36.1. The ultimate parent

The ultimate parent of the Group is Casandrax Financials S.A. There were no transactions between the Group and Casandrax Financials S.A. during the years ended 31st December 2011, 31st December 2010 and 31st December 2009.

36.2. The parent company

The parent company of the Arctic Paper S.A. Group is Trebruk AB, which as on 31st December 2011

holds 74.80% of ordinary shares in Arctic Paper S.A.

36.3. Terms and conditions of transactions with related parties

Trade receivables and payables are normally settled within 60 days with related parties.

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

Related party transactions are made at an arm's length.

36.4. Remuneration of the Group's key management personnel

36.4.1. Remuneration paid or due to the members of the Management Board and the memebers of the Supervisory Board

Key management personnel as on 31st December 2011 comprises five people: President of the Management Board and four Members of the Management Board. The financial data for the reporting period include remuneration of the aforesaid five people.

Remuneration of the executives in the year ended 31st December 2011 amounted to PLN 3,950 thousand (PLN 4,970 thousand in the year ended 31st December 2010, PLN 3,174 thousand during the 12-month period ended 31 December 2009).

During the period covered by these consolidated financial statements, no entities within the Group granted any loans to their executives and no such items were reported in the comparative period.

The table below presents the remuneration of key executives of the Group:

	As at 31 December 2011 (audited)	As at 31 December 2010 (audited)	As at 31 December 2009 (audited)
Short-term employee benefits	3 950	4 970	3 174
Post-employment pension and medical benefits	655	-	-
Termination benefits	-	3 103	-
Total compensation paid to key management personnel	4 604	8 073	3 174
Supervisory Board			
Short-term employee benefits	792	566	

36.4.2. Directors' interests (including members of Management and Supervisory Boards) in employee share incentive plan

On 30th July 2009 the Extraordinary General Shareholders' Meeting adopted the resolutions number 4 on approving the assumptions of an incentive programme for key managers, consisting of the opportunity to acquire free-of-charge subscription warrants that will enable the holders to take up series D shares with excluded pre-emptive rights.

Until 31st December 2011 there were agreements regarding acquiring these warrants executed to dispense 365 thousand warrants. Until the date of preparing of the consolidated financial statements none of the entitled persons has exercised the right to payable convertion of the warrants to the Company's shares.

36.5. Loans granted to the Management Board members

During the period covered by these consolidated financial statements, no entities within the Group granted any loans to members of the Management Board and no such receivables were reported in any of the periods presented.

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

36.6. Other transactions with the Managament Board's members

During the period covered by these consolidated financial statements, there were no other transactions between subsidiaries and the Management Board members and no such transactions were reported in any of the periods presented.

37. Information about the contract and remuneration of auditor or audit company

On 18th July 2011 the Company concluded an agreement with Ernst & Young Audit Sp. z.o.o. with registered office in Warsaw to audit the annual standalone financial statements of the Company and the annual consolidated financial statements of the Group.

The table below presents the audit company's fees, paid or payable for the year ended 31st December 2011, 31st December 2010 and 31st December 2009 by category of services:

Auditors

	As at 31 December 2011 (audited)	As at 31 December 2010 (audited)	As at 31 December 2009 (audited)
Service			
Obligatory audit of annual financial statement	265*	190	209
Obligatory audit of annual financial statement (AP S.A. branch)	31	43	87
Tax advisory	-	-	-
Other services	50	65	689
Total	346	298	985

* - relates to Ernst&Young Audit Sp. z o.o

The fees do not include services provided to other Group companies.

38. Financial risk management objectives and policies

The Group's principal financial instruments comprise bank loans, finance 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 recourse factoring in scope of trade receivables. The main purpose of this financial instrument is quick obtaining of financial means.

The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from operations. 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 and they are summarised below.

In the Management Board opinion – compared to consolidated financial statements prepared as on 31st December 2010 there were no significant changes of financial risk. Moreover, there were no changes of goals and principles of risk management.

38.1. Interest rate risk

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations.

Interest rate risk – sensitivity to changes

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). Included in the calculation are foreign currency loans with variable interest rate. For each currency, the same increase in interest rate, i.e. by 1pp, was adopted. At the end of each reporting period, loans and borrowings were grouped by currency and on each total currency value and increase of 1pp was calculated. Change of interest rate does not have direct impact on the Group's equity.

Interest rate risk - sensitivity to changes

	Increase in basis points	Effect on profit before tax
Year ended 31 December 2011		
PLN	+1%	(2 176)
EUR	+1%	(226)
SEK	+1%	(838)
Year ended 31 December 2010		
PLN	+1%	(155)
EUR	+1%	(718)
SEK	+1%	(1 096)
Year ended 31 December 2009		
PLN	+1%	(562)
EUR	+1%	(1 595)
SEK	+1%	(120)

38.2. Foreign currency risk

The Group is exposed to transactional foreign currency risk. The risk arises from transactions run by an operating unit in currencies other than its functional currency.

The following table demonstrates the sensitivity of profit before tax and total comprehensive income on reasonably possible change of exchange rate of USD, EUR, GBP and SEK with all other variables held constant.

In the estimation were taken every balance positions measured in foreign currencies, than for every currency was adopted an increase or decrease of 5% in exchange rate. At the end of each reporting period assets and liabilities were grouped in the same currencies and for every currency balance "assets deduct liabilities" an increase or decrease of 5% in exchange rate were counted. During the year assets and liabilities measured in foreign currencies remained at comparable level.

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

Foreign currency risk

2011

Impact of change in exchange rates on profit before tax	FX rate increase	Total financial impact	FX rate decrease	Total financial impact
PLN – EUR	+5%	384	-5%	(384)
PLN – USD	+5%	(1 470)	-5%	1 470
PLN – GBP	+5%	311	-5%	(311)
PLN – SEK	+5%	357	-5%	(357)
PLN-CHF	+5%	47	-5%	(47)
SEK – EUR	+5%	1 016	-5%	(1 016)
SEK – USD	+5%	(3 769)	-5%	3 769
SEK – GPB	+5%	757	-5%	(757)
SEK - DKK	+5%	331	-5%	(331)

Impact on other comprehensive income (on foreign entities translation)	FX rate increase	Total financial impact	FX rate decrease	Total financial impact
PLN – SEK	+5%	2 166	-5%	(2 166)
PLN – EUR	+5%	(122)	-5%	122

2010

Impact of change in exchange rates on profit before tax	FX rate increase	Total financial impact	FX rate decrease	Total financial impact
PLN – EUR	+5%	(742)	-5%	742
PLN – USD	+5%	(432)	-5%	432
PLN – GBP	+5%	259	-5%	(259)
PLN – SEK	+5%	180	-5%	(180)
SEK – EUR	+5%	2 932	-5%	(2 932)
SEK – USD	+5%	(3 114)	-5%	3 114
SEK – GPB	+5%	1 035	-5%	(1 035)
EUR – GBP		113		(113)

Impact on other comprehensive income (on foreign entities translation)	FX rate increase	Total financial impact	FX rate decrease	Total financial impact
PLN – SEK	+5%	4 593	-5%	(4 593)
PLN – USD	+5%	4 398	-5%	(4 398)

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

2009 Impact of change in exchange rates on profit before tax	FX rate increase	Total financial impact	FX rate decrease	Total financial impact
PLN – EUR	+5%	(846)	-5%	846
PLN – USD	+5%	(87)	-5%	87
PLN – GBP	+5%	226	-5%	(226)
PLN – SEK	+5%	437	-5%	(437)
SEK – EUR	+5%	513	-5%	(513)
SEK – USD	+5%	28	-5%	(28)
SEK – GPB	+5%	750	-5%	(750)

Impact on other comprehensive income (on foreign entities translation)	FX rate increase	Total financial impact	FX rate decrease	Total financial impact
PLN – SEK	+5%	5 319	-5%	(5 319)
PLN – USD	+5%	911	-5%	(911)

38.3. Commodity prices risk

The Group is exposed to the risk of drop in selling price due to higher market competition and due to the risk of increase of raw materials prices because of restricted access to commodities on the market.

38.4. Credit risk

The Group trades only with recognised, creditworthy third parties with good credibilty. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group assesses and recognizes all receivables which are not overdue and which are not subject to impairment write-downs as recoverable.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and available-for-sale financial assets the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. There are no significant concentrations of credit risk within the Group.

38.5. Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of various sources of financing, such as bank overdrafts, bank loans, finance leases and hire purchase contracts.

The table below summarises the maturity profile of the Group’s financial liabilities as on 31st December 2011, 31st December 2010 and 31st December 2009 based on contractual undiscounted payments.

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

Liquidity risk

As at 31 December 2011	On demand	Less than 3 months	3-12 months	1-5 years	Over 5 years	Total
Interest bearing loans, borrowin	2 261	9 436	42 085	342 046	-	395 828
Financial leasing	-	1 505	6 688	11 243	30 092	49 528
Trade and other payables	2 652	394 884	30 268	3 774	2 682	434 261
	4 914	405 826	79 041	357 063	32 774	879 618

As at 31 December 2010	On demand	Less than 3 months	3-12 months	1-5 years	Over 5 years	Total
Interest bearing loans, borrowin	2 063	103 419	202 176	215 297	-	522 955
Financial leasing	-	1 578	6 994	15 379	28 531	52 482
Trade and other payables	2 704	352 056	3 004	-	2 929	360 693
	4 767	457 053	212 174	230 676	31 460	936 130

As at 31 December 2009	On demand	Less than 3 months	3-12 months	1-5 years	Over 5 years	Total
Interest bearing loans, borrowin	-	6 488	19 359	215 867	-	241 714
Financial leasing	-	751	4 904	11 251	-	16 906
Trade and other payables	-	166 451	1 746	-	-	168 197
	-	173 690	26 009	227 118	-	426 817

39. Financial instruments

The Group has the following financial instruments: cash on hand and cash in bank, loans and borrowings, issued bonds, receivables and liabilities, as well as currency forward contract and electricity purchase contract.

39.1. Fair values of each class of financial instruments

Due to the fact that the carrying amounts of financial instruments do not materially differ from their fair values, the table below shows all financial instruments in their balance sheet amounts, divided by class and category of financial assets and liabilities.

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

Fair value by specification of financial instruments class

	Category complaint with IAS 39	Book value			Fair value		
		As at 31 December 2011	As at 31 December 2010	As at 31 December 2009	As at 31 December 2011	As at 31 December 2010	As at 31 December 2009
Financial Assets							
Granted loans	*L&R*	-	20 600	20 000	-	20 600	20 000
Trade and other receivables	*L&R*	271 110	242 622	214 873	271 110	242 622	214 873
Hedging instruments		1 692	11 917	1 388	1 692	11 917	1 388
		791		960		919	
Other financial assets (excluding loans and hedgin	*L&R*		919		791		960
Cash and cash equivalents	*FVTPL*	166 299	179 402	140 115	166 299	179 402	140 115
Financial Liabilities							
Interest bearing bank loans and borrowings	*OFL*	384 504		222 326		296 522	
therein:			296 522		384 504		222 326
- long-term interest-bearing with variable	*OFL*	317 262	73 134	211 495	317 262	73 134	211 495
- other short-term	*OFL*	67 242	223 388	10 831	67 242	223 388	10 831
agreement		49 528		16 160		51 594	
with purchase option, therein:			51 594		49 528		16 160
- long-term		41 541	43 681	10 965	41 541	43 681	10 965
- short-term		7 987	7 913	5 195	7 987	7 913	5 195
Trade and other financial payables		384 468	349 338	154 515	384 468	349 338	154 515
Hedging instruments	*OFL*	7 028	373	-	7 028	373	-
Debt securities, therein:	*OFL*	206 014	188 294	-	206 014	188 294	-
- long-term Coupon bonds	*OFL*	199 814	119 571	-	199 814	119 571	-
- short-term Zero-Coupon bonds	*OFL*	6 200	68 723	-	6 200	68 723	-

* DERIVATIVE HEDGING INSTRUMENTS COMPLYING TO HEDGING PRINCIPLES

ABBREVIATIONS USED:

HTM – FINANCIAL ASSETS HELD TO MATURITY,

FVTPL – FINANCIAL ASSETS/ FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS,

L&R – LOANS AND RECEIVABLES,

AFS – AVAILABLE-FOR-SALE ASSETS,

OFL – OTHER FINANCIAL LIABILITIES MEASURED AT AMORTISED COST.

AS ON 31ST DECEMBER 2011 AND AS ON 31ST DECEMBER 2010, 31ST DECEMBER 2009, THE GROUP HAD THE FOLLOWING FINANCIAL INSTRUMENTS EVALUATED AT FAIR VALUE:

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

	31 December 2011	Level 1	Level 2	Level 3
Financial assets valued at a fair value through financial result				
Derivative instruments		-	1 692	-
Financial liabilities valued at a fair value through financial result				
Derivative instruments			8 189	

	31 December 2010	Level 1	Level 2	Level 3
Financial assets valued at a fair value through financial result				
Derivative instruments		-	11 917	-
Financial liabilities valued at a fair value through financial result		-	373	-
Derivative instruments				

	31 December 2009	Level 1	Level 2	Level 3
Financial assets valued at a fair value through financial result				
Derivative instruments		-	1 388	-
Financial liabilities valued at a fair value through financial result		-	-	-
Derivative instruments				

39.2. Interest rate risk

The following table sets out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk:

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

31 December 2011 Floating rate	<1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Other financial liabilities							
Obligations under finance lease and hire purchase contracts	7 987	2 743	2 767	2 833	2 900	30 298	49 528
Loans, borrowings and bonds:							
Bonds in Bank BRE	6 200	199 814	-	-	-	-	206 014
PLN bank loan in Bank Polska Kasa Opieki S.A. (A2)	2 306	2 320	5 601	-	-	-	10 227
PLN bank loan in Bank Polska Kasa Opieki S.A. (B)	11 403	9 833	-	-	-	-	21 236
EUR bank loan in Bank Polska Kasa Opieki S.A. (A2)	3 362	3 361	7 185	-	-	-	13 908
EUR bank loan in Bank Polska Kasa Opieki S.A. (B)	-	48 539	31 973	-	-	-	80 512
EUR bank loan in Bank Polska Kasa Opieki S.A. (A3)	10 901	8 635	-	-	-	-	19 536
PLN bank loan in Bank Polska Kasa Opieki S.A. (C, overdraft)	20 751	-	-	-	-	-	20 751
SEK bank loan in Bank Svenska Handelsbanken	12 320	-	-	-	-	-	12 320
Sum loans and borrowers	67 242	272 502	44 759	-	-	-	384 503
TOTAL	75 229	275 245	47 526	2 833	2 900	30 298	434 032

31 December 2010 Floating rate	<1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Other financial liabilities							
Obligations under finance lease and hire purchase contracts	7 913	7 688	2 425	2 482	2 536	28 550	51 594
Loans and borrowers:							
Bonds in Bank BRE	68 723	-	119 571	-	-	-	188 294
PLN bank loan in Bank Polska Kasa Opieki S.A. (A2)	1 398	2 298	2 314	5 598	-	-	11 608
PLN bank loan in Bank Polska Kasa Opieki S.A. (B)	27 318	-	-	-	-	-	27 318
EUR bank loan in Bank Polska Kasa Opieki S.A. (A2)	5 769	8 906	8 906	19 545	-	-	43 126
EUR bank loan in Bank Polska Kasa Opieki S.A. (B)	72 874	-	-	-	-	-	72 874
EUR bank loan in Bank Polska Kasa Opieki S.A. (A3)	9 810	7 746	7 738	-	-	-	25 294
SEK bank loan in Bank Polska Kasa Opieki S.A. (A2)	1 562	2 366	2 366	5 351	-	-	11 645
PLN bank loan in Bank Polska Kasa Opieki S.A. (C, overdraft)	41 260	-	-	-	-	-	41 260
SEK bank loan in Bank Svenska Handelsbanken	22 075	-	-	-	-	-	22 075
EUR bank loan in Bank HypoVereinsbank	9 525	-	-	-	-	-	9 525
SEK bank loan in Accent Equity	31 792	-	-	-	-	-	31 792
Sum loans and borrowers	292 106	21 316	140 895	30 495	-	-	484 811
TOTAL	300 019	29 004	143 319	32 977	2 536	28 550	536 405

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

31 December 2009 Floating rate	<1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Other financial liabilities							
Obligations under finance lease and hire purchase contracts	5 195	5 582	5 383	-	-	-	16 160
Loans and borrowers:							
Bonds in Bank BRE	20 000	-	-	-	-	-	20 000
PLN bank loan in Bank Polska Kasa Opieki S.A. (A2)	1 401	844	2 307	2 322	5 603	-	12 477
PLN bank loan in Bank Polska Kasa Opieki S.A. (B)	-	27 600	-	-	-	-	27 600
EUR bank loan in Bank Polska Kasa Opieki S.A. (A2)	5 997	5 980	9 254	9 254	21 247	-	51 732
EUR bank loan in Bank Polska Kasa Opieki S.A. (B)		75 596	-	-	-	-	75 596
EUR bank loan in Bank Polska Kasa Opieki S.A. (A3)	8 036	8 036	8 036	8 027	-	-	32 134
SEK bank loan in Bank Polska Kasa Opieki S.A. (A2)	1 415	1 405	2 144	2 143	4 848	-	11 955
Sum loans and borrowers	36 849	119 461	21 740	21 747	31 697	-	231 495
TOTAL	42 044	125 043	27 123	21 747	31 697	-	247 655

39.3. Hedge accounting

As on 31st December 2011, 31st December 2010 and 31st December 2009 the Group used cash flow hedge accounting for the following hedging relations:

- on 11th December 2009 Arctic Paper Kostrzyn S.A. designated for cash flow hedge accounting the FX forward derivatives hedging part of the proceeds in EUR related to export sales;
- on 1st October 2009 Arctic Paper Munkedals AB designated for cash flow hedge accounting the forward electricity derivatives hedging the future purchases of electricity.
- In December 2006 Arctic Paper Grycksbo decignated for the Cash flow hedge accounting the forward electricity derivatives hedging the future purchases of electricity.
- On 27th May 2010 Arctic Paper Grycksbo AB designated for cash flow hedge accounting the FX forward derivatives aimed at securing foreign currency portion of the proceeds from the SEK related to export sales.

39.3.1. Cash flow hedge accounting

As on 31st December 2011, 31st December 2010 and 31st December 2009, the Group held FX forward contract and forward contract to purchase electricity, as cash flow hedge instruments.

The hedging relationship in the cash flow hedge accounting on the currency trading with the use of FX forward

The table below presents detailed information concerning the hedging relationship in the cash flow hedge accounting on the sales EUR/USD:

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

Hedge accounting - FX forward transaction

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	11.4.2011
Delivery date	depending on the contract, since 27.01.2012 till 29.03.2012
Hedged amount	7.5 mln EUR
Forward ratio	from 1.4175 to 1.4215

THE TABLE BELOW PRESENTS DETAILED INFORMATION CONCERNING THE HEDGING RELATIONSHIP IN THE CASH FLOW HEDGE ACCOUNTING ON THE SALES EUR/USD:

Hedge accounting - FX forward transaction

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 GBP for SEK
Forward contract parameters	
Trade date	15.9.2011
Delivery date	depending on the contract, since 30.03.2012 till 31.08.2012
Hedged amount	15.0 mln EUR
Forward ratio	from 4.369 to 4.3957

THE HEDGING RELATIONSHIP IN THE CASH FLOW HEDGE ACCOUNTING ON THE ELECTRICITY PURCHASE WITH THE USE OF FORWARD TRANSACTIONS

THE TABLE BELOW PRESENTS DETAILED INFORMATION CONCERNING THE HEDGING RELATIONSHIP IN THE CASH FLOW HEDGE ACCOUNTING ON THE ELECTRICITY PURCHASE WITH THE USE OF FORWARD TRANSACTIONS:

Hedge accounting - electricity purchases

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 01.12.2006
Delivery date	depending on the contract, untill 31.12.2014
Hedged amount	392.568 MWh
Forward price	from 35.75 to 48,80 EUR/MWh

THE TABLE BELOW PRESENTS THE FAIR VALUE OF HEDGING DERIVATIVES IN THE CASH FLOW HEDGE ACCOUNTING AS ON 31ST DECEMBER 2011 AND THE COMPARATIVE DATA:

Hedge accounting

	As at 31 December 2011 (audited)	As at 31 December 2011 (audited)	As at 31 December 2010 (audited)	As at 31 December 2010 (audited)	As at 31 December 2009 (audited)	As at 31 December 2009 (audited)
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
FX forward	1 692	-	306	373	104	-
Electricity forward	-	8 189	11 611	-	1 770	-
Total hedging derivatives	1 692	8 189	11 917	373	1 874	-

THE TABLE BELOW PRESENTS THE NOMINAL VALUE OF HEDGING DERIVATIVES AS ON 31ST DECEMBER 2011:

Hedge accounting - nominal value of hedging derivatives as at 31 December 2011

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
FX forward:						
Currency purchased (in USD thousand)	3 554	7 093		-	-	10 647
Currency sold (in EUR thousand)	2 500	5 000		-	-	7 500
Currency purchased (in SEK thousand)	-		65 744	-	-	65 744
Currency sold (in GBP thousand)	-	-	15 000	-	-	15 000
Electricity forward:						-
Electricity purchased (in PLN thousand)	1 377	7 835	28 211	40 601	-	78 023

THE TABLE BELOW PRESENTS CASH FLOW HEDGE ACCOUNTING AMOUNTS WHICH WERE RECOGNIZED BY THE GROUP IN 2011 IN THE PROFIT AND LOSS ACCOUNT AND IN COMPREHENSIVE INCOME STATEMENT:

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

	Year ended 31 December 2011 (audited)
Revaluation reserve capital as at 31 December 2011 - revaluation to fair value of hedging derivatives on account of the hedged risk, corresponding to the effective hedging	(9 429)
Inefective part of the revaluation to fair value of hedging derrivatives on account of the hedged risk, captured in financial income or expenses	-
Period, in which the hedged cash flows are expected to occur	31 December 2011 - 31 December 2014

The table below presents changes in the revaluation reserve capital on account of cash flow hedge accounting in 2011:

	Year ended 31 December 2011 (audited)
Revaluation reserve capital as at 1 January 2011	9 217
Deferral of revaluation to fair value of hedging derivatives on account of the hedged risk, corresponding to the effective hedge	(18 646)
Amount of the deferred revaluation to fair value of hedging derivatives on account of the hedged risk, removed from revaluation reserve capital and transferred to financial income or expenses	-
Revaluation reserve capital as ast 31 December 2011	(9 429)

40. 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 maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31st December 2011 and 31st December 2010.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 10% and 30%. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents, excluding discontinued operations.

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

Arctic Paper S.A. Group	As at 31 December 2011 (audited)	As at 31 December 2010 (audited)	As at 31 December 2009 (audited)
Interest bearing loans, borrowings and bonds	489 164	539 590	238 487
Trade and other payables	403 057	365 082	168 197
Less cash and short term deposits	(166 299)	(179 402)	(140 115)
Net debts	725 923	725 270	266 569
Equity	675 561	667 943	618 035
Capital and net debt	1 401 483	1 393 213	884 604
Gearing ratio	0,52	0,52	0,30

Compared to financial statements for year 2010, there was no significant change of gearing ratio.

In 2010 compared to 2009 financial statement for 2009 there was a significant change of leverage ratio.

In 2010 leverage ratio represented 52% (2009: 30%). This increase is related to the issuance of bonds which took place in February 21, entered into an overdraft in Arctic Paper Kostrzyn S.A. as well as exclusion from March 2010 Arctic Paper Grycksbo and assumption of liabilities by the group. In April 2010 Arctic Paper Grycksbo AB signed also a agreement of financial leasing

41. Employment structure

The average employment in the Group in the years ended 31st December 2011, 31st December 2010 and 31st December 2009 was as follows:

	As at 31 December 2011 (audited)	As at 31 December 2010 (audited)	As at 31 December 2009 (audited)
Management Board of the parent entity	3	3	3
Management Boards of subsidiary companies	23	25	27
Administration department	148	150	117
Sales department	192	199	169
Production department	1 090	1 081	690
Other	141	138	135
Total	1 597	1 596	1 141

42. CO2 Emission rights

Arctic Paper Kostrzyn S.A., Arctic Paper Munkedals AB, Arctic Paper Grycksbo AB and Arctic Paper Mochenwangen GmbH are all part of the European Union Emission Trading Scheme. The current trading period lasts from 1st January 2008 to 31st December 2012. The tables below specify the allocation and usage of emission rights by each of the four entities.

Historical consolidated financial information for the year ended 31st December 2011 PLN thousand

CO2 Emission rights

(in tonnes) for Arctic Paper Kostrzyn S.A.	2008	2009	2010	2011	2012
Amount granted	208 448	208 448	208 448	208 448	208 448
Amount unused from previous years	-	98 511	115 865	183 411	261 812
Amount used	109 643	131 094	143 659	136 564	-
Amount purchased	-	14 000	47 800	21 000	-
Amount sold	-	74 000	45 043	14 483	-
Amount unused	98 511	115 865	183 411	261 812	-

(in tonnes) for Arctic Paper Munkedals AB	2008	2009	2010	2011	2012
Amount granted	14 011	14 011	14 011	14 011	14 011
Amount unused from previous years	-	-	-	-	
Amount used	28 243	38 066	42 775	37 422	-
Amount purchased	-	7 400	19 200	17 700	-
Amount sold	-	-	11 940	-	-
Amount unused	(14 232)	(16 655)	(21 504)	(5 711)	

(in tonnes) for Arctic Paper Mochenwangen	2008	2009	2010	2011	2012
Amount granted	118 991	118 991	118 991	118 991	118 991
Amount unused from previous years	-	6 448	-	9 152	(110 424)
Amount used	112 543	105 587	109 839	109 142	-
Amount purchased	100 000	-	-	9 142	-
Amount sold	100 180	19 500	-	138 567	-
Amount unused	6 448	-	9 152	(110 424)	-

(in tonnes) dla Arctic Paper Grycksbo AB	2010	2011	2012
Amount granted	69 411*	69 411	69 411
Amount unused from previous years	-	11	422
Amount used	-	-	-
Amount purchased	-	-	-
Amount sold	69 400	69 000	-
Amount unused	11	422	-

* at purchase date

On 1st December 2008 Artic Paper Mochenwangen GmbH (AP MW) carried out a swap of Certified Emission Reductions (CERs) in exchange of European Union Emission Allowances (EUAs). In this swap, AP MW received 100,000 CERs and EUR 776 thousand in cash in exchange of 100,000 EUAs which were received (granted) from the government.

On 1st December 2008 AP MW sold 100,000 CERs received in the transaction described above to a bank (Bayerische Hypo- und Vereinsbank AG, Munich) for EUR 2,200 thousand. AP MW is obliged to repurchase 100,000 CERs on 30th March 2011 at EUR 2,430 thousand (Maturity SWAP CER/CER). Since AP MW is obliged to repurchase 100.000 CERs for a fixed price there has been no transfer of risks and rewards of ownership of the CERs to the bank. Due to this fact AP MW has not recognized the revenue from the sale (IAS 18.14). The cash received (EUR 2,200 thousand) was recorded as a non-current interest bearing loan. The 100.000 CERs are recognised as intangible assets at cost (fair value of the CERs at date of transaction). During 2011 AP MW repurchased and sold 100,000 CERs.

As a consequence of recognition of emission rights granted to Mochenwangen as a result of purchase price allocation, as on 31st December 2008 the Group recognized provision for actual consumption of CO2 in the amount of PLN 7,706 thousand. Provision as on 31st December 2011 amounted to PLN 7,858 thousand compared to PLN 6,922 thousand as on 31st December 2010.

43. Cogeneration certificates

Based on the provisions of article 91 paragraph 1 point 1 of the act dated 10th April 1997, Energy Law, the Comapny obtained property rights to the Certificates of Origin being the confirmation of the amount of energy produced in the heavy duty (high performance) cogeneration unit using the gas fuels.

The change in law since 10th September 2011 modified the subject of granting the certificates for electricity produced from purchased heat and from gas.

Before the changes were introduced for the total energy produced yellow certificates had been granted. After the change, yellow certificates are only for electricity produced from gas, while for electricity produced from purchased heat red certificates are being granted.

Due to producing electric energy in cogeneration, in 2011 the Group received the rights in the amount of: yellow certificates kWh 154,604,654 and red certificates 70,578,470 kWh (in 2010 kWh 219,420,350, (in 2009 kWh 177,534,396). In 2011, revenues from sale of cogeneration certificates amounted to PLN 19,143 thousand (in 2010 PLN 26,890 thousand, (in 2009 PLN 21,722 thousand). The certificates of cogeneration corresponding to the energy produced are recognized as reduction of cost of sales in the income statement.

The changes in law may cause the certificates originally recognized and valued as yellow to be accounted as red certificates of lesser value.

For that reson, the Company made accruals (liabilities) in proper amount.

44. Government grants and subsidies

44.1. Subsidy from the Ekofundusz Foundation

On 6th July 2006 the Company signed an agreement with Ekofundusz Foundation for financial support in the scope of eco-conversion of Polish debt that is funds assigned for the projects in the field of natural environment protection realized as part of foreign debt conversion, in accordance with the agreement concerning reduction and restructuring of debt of the Republic of Poland. Out of this agreement, the Company received PLN 7,482 thousand for the project: „construction of natural gas combined heat and power plant in Arctic Paper Kostrzyn S.A.". As on the date of the preparation of these condensed consolidated financial statements, the construction of the new heat power plant has been completed and the Company uses the facility for its business operation.

The transfer of the funds to the Company's account was as follows: PLN 1,401 thousand on 1st August 2006, PLN 3,705 thousand on 3rd November 2006, PLN 2,375 thousand on 20th December 2006. The financial support was granted to the Company and the Company committed to comply with the specific conditions, the realization of which may be subject to control, within 3 years of handing the Project over for use, by appropriate authorities authorized to issue a decision under which the subsidy granted and received may have to be returned together with interest.

On 2nd October 2008 the Company signed an agreement with Ekofundusz Foundation for financial support in the scope of eco-conversion of Polish debt that is funds assigned for the projects in the field of natural environment protection realized as part of foreign debt conversion, in accordance with the agreement concerning reduction and restructuring of debt of the Republic of Poland. By the power of the agreement, the Company received PLN 17,643 thousand for the project "construction of natural gas combined heat and power plant in Arctic Paper Kostrzyn S.A.". As on the date of the preparation of these consolidated financial statements, the construction of the new power plant has been completed and the Company uses the facility for its business operation.

The transfer of the funds to the Group's account was as follows: PLN 1,176 thousand on 15th October 2008, PLN 856 thousand on 13th November 2008, PLN 6,307 thousand on 30th December 2008, PLN 3,850 thousand on 25th March 2009 and PLN 4,383 thousand on 11th May 2009, PLN 1,072 thousand on 15th October 2009. The financial support was granted to the Company and the Company committed to comply with the specific conditions, the realization of which may be subject to control, within 3 years of handing the Project over for use, by appropriate authorities authorized to issue a decision under which the subsidy granted and received may have to be returned together with interest.

In 2011 the companies of the Group have not received any grants or subsidies.

44.2. Operations in the Special Economic Zone

Arctic Paper Kostrzyn S.A. operates in the Kostrzyńsko-Słubicka Special Economic Zone (the „KSSSE") and based on the permission issued by the Kostrzyńsko – Słubicka Special Economic Zone S.A. benefits from the corporate income tax relief as regards the activities carried out in the KSSSE. 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,
- 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 KSSSE,
- if Arctic Paper Kostrzyn S.A. receives 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 KSSSE authorities.

During the period from 25th August 2006 to 31st December 2011, Arctic Paper Kostrzyn S.A. incurred capital expenditure classified as expenditure of the KSSSE in the amount of PLN 182,427 thousand. During this period, the amount of public assistance used was PLN 44,718 thousand. If there is insufficient tax income to utilize the qualified investment expenditure during the year, then Arctic Paper Kostrzyn S.A. recognizes a deferred tax asset for the difference ascertained.

45. Events after the reporting period

45.1. Concluding an amendment to a material contract

On 16th January 2012 an annex was concluded to a material loan agreement concluded on 1st March 2010, then amended with an annex dated 12th April 2011, by and between Arctic Paper S.A. and a subsidiary Arctic Paper Investment AB ("Borrower") with its seat in Göteborg, Sweden.

The annex dated 16th January 2012 prolongs the date of total repayment of the loan with interest until 31st December 2016 and, at the same time, it allows for another prolongation of the repayment date. The other provisions of the contract remained unchanged.

45.2. Changes in Management Board and Supervisory Board

As mentioned in point 3.1 of the hereby report, (The Management Board of the Parent Company), on 20th January 2012 Mr Hans Karlander filed his resignation from being a Member of the Management Board effective on 31st March 2012. The Company reported this in the current report no 02/2012. On 5th June 2012 the Supervisory Board of the Company appointed Mr Wolfgang Luebbert as a Member of the Management Board of Arctic Paper S.A starting from 5th June 2012 (current report 10/2012). From 30th June 2012 until the day of publishing of the hereby report and interim half-yaearly condensed consolidated financial statements no changes occurred in the compostion of the Management Board of the Parent Company.

During the Ordinary Shareholders Meeting on 28th June 2012, Mr Wiktorian Tarnawski was dismissed from beong a Member of the Supervisory Board, while Mr Mariusz Grendowicz was appointed to serve this function. From 30th June 2012 until the day of publishing of the hereby report and interim half-yaearly condensed consolidated financial statements no changes occurred in the composition of the Supervisory Board of the Parent Company.

45.3 Decrease of the share capital of Arctic Paper S.A.

On 28th June 2012, the Company's Ordinary Shareholders
Meeting adopted a resolution regarding decreasing the share capital of the Company by the amount of PLN 498,631,500 that is from the amount of PLN 554,035,000 to the amount of PLN 55,403,500 by decreasing the face value of each share by the amount PLN 9.00 that is from the amount of PLN 10.00 to the amount of PLN 1.00. The amount of the decrease shall be assigned to the Company's reserve capital without payment to shareholders. The decrease of the share capital is purposed to adjust the face value of shares to the one that would allow for increase of the capital and issue of new shares (current report 12/2012).

Until the day of the hereby report, the decrease of share capital has not been recorded in National Court Register.

Becase of that, the consolidated and standalone financial data included in the hereby report do not take into account the consequences of the aforementioned resolution.

45.4 Purchase of own shares

On 28th June 2012, the Company's Ordinary Shareholders Meeting adopted a resolution (current report 12/2012), in which it authorizes the Management Board of the Company to purchase the Company's own shares for the purpose of its redemption and decrease of the share capital or for the purpose of further relocation or resale of the own shares on conditions and in the course determined as below:

a) The total amount of purchased shares shall not exceed 5,500,000 (five million five hundred thousand) shares;
b) the total amount assigned by the Company for purchase of own shares shall not exceed the amount of the reserve capital established for this purpose, that is PLN 27,500,000 comprising the price of purchased shares together with the costs of purchase;
a) the price for which the Company will purchase its own shares shall not be lower than PLN 1.00 nor higher than PLN 10.00 per share;
b) the authorization for purchase of the Company's own shares is valid for 60 (sixty) months since the day the resolution has been resolved;
c) purchase of own shares may occur with the mediation of investment company, in stock and non-stock transactions.

The Management Board, acting for the benefit of the Company, upon the opinion of the Supervisory Board, may:
a) stop the purchase of shares before 60 days starting from
the day the resolution was adopted or before the funds assigned for the purchase have been fully utilized,
c) refrain from purchase in part or in whole.

In case of a decision being made as mentioned above, the Management Board is bound to submit the information regarding the decision for public knowledge in a manner determined in the Public Offering Act.

The conditions of purchase of own shares for the purpose of its redemption or further relocation or resale shall be compliant with the principles of Commission Regulation (EC) No 2273/2003 dated 22 December 2003.

After the process of purchase of the Company's own shares, in compliance with conditions determined by the Shareholders Meeting, has ended, the Management Board will call a Shareholders Meeting for the purpose of adopting resolution regarding redemption of the Company's own shares and adequate decrease of share capital, or – in case of assignment of the purchased shares to further relocation or resale – the Management Board will make a decision regarding further relocation or resale of own shares. Redemption of the Company's own shares and adequate decrease of share capital is acceptable also before the end of the process of purchase of the Company's own shares.

The Ordinary Shareholders Meeting, acting by virtue of article 362 § 2 item 3 of the Code of Commercial Codes, 348 § 1 in connection with article 396 § 4 and 5 of the Code of Commercial Companies, for the purpose of financing of the purchase of the Company's own shares on conditions and within confines of the authorization granted by the resolution, decides to establish a reserve capital under the name of „Fundusz Programu Odkupu" for the purchase of own shares.

The amount of "Fundusz Programu Odkupu" is set to PLN 27,500,000. "Fundusz Programu Odkupu" is assigned to purchase of own shares together with the cost of the purchase. The Ordinary Shareholders Meeting decides to distinguish the "Fundusz Programu Odkupu" from the reserve capital.

45.5 Acquisition of Kalltorp Kraft Handelsbogalet

On 1st October 2012, Arctic Paper Munkedals AB purchased for PLN 4,854 thousand (SEK 10,000 thousand) 50% of shares in Kalltorp Kratf Handelsbolaget seated in Trolhättan, Sweden. Kalltorp Kratf deals in electricity production in its own hydro-power plant. The purpose of the purchase was the realization of the strategy of increasing own energy powers of Arctic Paper Group

Signatures of the Management Board

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Section of Arctic Paper's Interim report January – September 2012

Interim condensed quarterly consolidated financial statements for the nine months' period ended 30th September 2012

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Consolidated financial statements and selected financial data

Selected consolidated financial data

	For the period from 01.01.2012 to 30.09.2012 PLN'000s	For the period from 01.01.2011 to 30.09.2011 PLN'000s	For the period from 01.01.2012 to 30.09.2012 EUR'000s	For the period from 01.01.2011 to 30.09.2011 EUR'000s
Revenues	1 985 595	1 853 534	471 739	460 948
Operating profit (loss)	41 562	(5 714)	9 874	(1 421)
Profit (loss) before tax	10 253	(13 496)	2 436	(3 356)
Profit (loss) from continuing operations	16 168	(16 020)	3 841	(3 984)
Profit (loss) for the period	16 168	(16 020)	3 841	(3 984)
Net operating cash flow	71 500	76 434	16 987	19 008
Net investment cash flow	(35 231)	(50 007)	(8 370)	(12 436)
Net financial cash flow	(65 499)	(86 016)	(15 561)	(21 391)
Net change in cash and cash equivalents	(29 230)	(59 588)	(6 945)	(14 819)
Weighted average number of shares	55 403 500	55 403 500	55 403 500	55 403 500
Weighted average diluted number of shares	55 768 500	55 403 500	55 768 500	55 403 500
EPS (in PLN/EUR)	0,29	(0,29)	0,07	(0,07)
Diluted EPS (in PLN/EUR)	0,29	(0,29)	0,07	(0,07)
Average PLN/EUR rate*			4,2091	4,0211

	As at 30 September 2012 PLN'000s	As at 31 December 2011 PLN'000s	As at 30 September 2012 EUR'000s	As at 31 December 2011 EUR'000s
Assets	1 811 222	1 924 531	440 280	435 730
Long-term liabilities	320 717	636 697	77 961	144 153
Short-term liabilities	813 573	612 273	197 767	138 624
Equity	676 932	675 561	164 551	152 953
Share capital	554 035	554 035	134 677	125 438
Number of shares	55 403 500	55 403 500	55 403 500	55 403 500
Diluted number of shares	55 768 500	55 403 500	55 768 500	55 403 500
Book value per share (in PLN/EUR)	12,22	12,19	2,97	2,76
Diluted book value per share (in PLN/EUR)	12,14	12,19	2,95	2,76
Declared or paid dividend (in PLN/EUR)	9 972 630	-	2 424 189	-
Declared or paid dividend per share (in PLN/EUR)	0,18	-	0,04	-
PLN/EUR rate at the end of the period**	-	-	4,1138	4,4168

* - 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 2012 PLN thousand

Consolidated income statement

	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)
Continuing operations				
Sales of paper	672 820	1 985 595	641 415	1 853 534
Revenues	672 820	1 985 595	641 415	1 853 534
Cost of sales	(568 585)	(1 669 695)	(543 515)	(1 602 329)
Gross profit (loss) on sales	104 235	315 899	97 900	251 205
Selling and distribution expenses	(79 134)	(231 421)	(73 027)	(213 525)
Administrative expenses	(17 726)	(53 890)	(17 775)	(51 303)
Other operating income	16 487	51 826	16 685	51 673
Other operating expenses	(13 360)	(40 853)	(13 143)	(43 763)
Operating profit / (loss)	10 501	41 562	10 640	(5 714)
Finance income	437	996	22 516	23 548
Finance costs	(12 079)	(32 305)	1 343	(31 330)
Profit / (loss) before tax	(1 140)	10 253	34 499	(13 496)
Income tax	(343)	5 915	(406)	(2 524)
Net profit (loss) for the period from continuing operations	(1 483)	16 168	34 093	(16 020)
Discontinued operations				
Profit (loss) for the period from discontinued operations	-	-	-	-
Net profit (loss) for the period	(1 483)	16 168	34 093	(16 020)
Attributable to:				
Equity holders of the parent	(1 483)	16 168	34 093	(16 020)
Minority interest	-	-	-	-
	(1 483)	16 168	34 093	(16 020)
Earnings per share:				
– basic from the profit (loss) for the period attributable to equity holders of the parent	(0,03)	0,29	0,62	(0,29)
– basic from the profit (loss) from continuing operations attributable to equity holders of the parent	(0,03)	0,29	0,62	(0,29)

Interim condensed consolidated financial statements for the nine months' period ended 30th September 2012 PLN thousand

Consolidated 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	(1 483)	16 168	34 093	(16 020)
Exchange difference on translation of foreign operations	885	(313)	9 791	8 126
Deffered tax on items recognised directly in equity	(620)	66	494	4 335
Valutation of derivatives	2 355	(435)	1 419	(14 016)
Exchange difference on investment in subsidiaries	1 413	(4 142)	-	-
Other comprehensive income	4 033	(4 824)	11 704	(1 555)
Total comprehensive income	2 550	11 344	45 797	(17 575)
Total comprehensive income:				
Equity holders of the parent	2 550	11 344	45 797	(17 575)
Non-controlling interest	-	-	-	-

Additional explanatory notes to the interim condensed quarterly consolidated financial statements, included on pages from 53 to 72 are its integral part.

Interim condensed consolidated financial statements for the nine months' period ended 30th September 2012 PLN thousand

Consolidated balance sheet

	As at 30 September 2012 (unaudited)	As at 30 June 2012 (revised)	As at 31 December 2011 (audited)	As at 30 September 2011 (unaudited)
ASSETS				
Non-current assets				
Property, plant and equipment	927 008	941 496	992 174	988 160
Investment properties	10 542	10 542	10 542	10 542
Intangible assets	108 557	117 064	120 410	117 579
Other financial assets	736	763	791	1 553
Other non-financial assets	2 096	2 108	2 151	616
Deferred tax asset	10 398	11 542	6 362	2 133
	1 059 337	1 083 515	1 132 429	1 120 583
Current assets				
Inventories	279 272	304 940	315 142	308 470
Trade and other receivables	317 781	295 151	294 452	319 171
Income tax receivables	11 346	8 423	5 810	11 695
Other non-financial assets	7 589	8 243	8 708	9 427
Other financial assets	1 025	1 028	1 692	2 848
Cash and cash equivalents	134 872	146 478	166 299	115 634
	751 885	764 263	792 102	767 246
TOTAL ASSETS	1 811 222	1 847 778	1 924 531	1 887 829
LIABILITIES				
Equity and liabilities				
Equity attributable to equity holders of the parent company				
Share capital	554 035	554 035	554 035	554 035
Share premium	82 244	82 244	80 060	80 060
Other reserves	121 486	118 338	110 849	119 814
Foreign currency translation	36 338	35 454	36 652	30 580
Retained earnings / Accumulated (unabsorbed) losses	(117 396)	(115 914)	(106 259)	(134 363)
Non-controlling interest	225	225	225	225
Total equity	676 932	674 381	675 561	650 351
Non-current liabilities				
Interest-bearing loans, borrowings and bonds	15 586	19 403	317 262	230 454
Provisions	84 928	83 722	83 827	79 273
Other financial liabilities	42 531	44 126	44 277	40 971
Deferred tax liabilities	144 917	146 751	156 520	160 404
Accruals and deferred income	32 755	33 438	34 810	35 491
	320 717	327 441	636 697	546 593
Current liabilities				
Interest-bearing loans, borrowings and bonds	342 546	349 362	67 242	168 103
Provisions	5 110	6 167	10 398	8 154
Other financial liabilities	51 943	35 834	60 383	64 258
Trade and other payables	353 245	379 071	403 057	366 171
Income tax payable	2 780	1 388	1 286	985
Accruals and deferred income	57 949	74 133	69 907	83 213
	813 574	845 956	612 273	690 884
TOTAL LIABILITIES	1 134 291	1 173 397	1 248 970	1 237 477
TOTAL EQUITY AND LIABILITIES	1 811 222	1 847 778	1 924 531	1 887 829

Additional explanatory notes to the interim condensed quarterly consolidated financial statements, included on pages from 53 to 72 are its integral part.

Interim condensed consolidated financial statements for the nine months' period ended 30th September 2012 PLN thousand

Consolidated cash flow statement

	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)
Cash flow from operating activities				
Profit (loss) before taxation	(1 140)	10 253	34 499	(13 496)
Adjustments for:				
Depreciation	31 344	92 056	32 363	95 762
Foreign exchange differences	(3 643)	(831)	(17 747)	(13 377)
Net interest and dividends	7 954	26 182	8 763	28 979
Gain/loss from investing activities	(185)	563	1 237	1 289
Increase / decrease in receivables and other non-financial assets	(23 021)	(26 996)	(38 821)	(36 033)
Increase / decrease in inventories	24 641	30 061	(21 768)	(963)
Increase / decrease in payables except for loans, borrowings and bonds	(15 188)	(43 273)	31 985	(19 537)
Change in accruals and prepayments	(16 133)	(12 991)	4 366	12 889
Change in provisions	(1 952)	(2 056)	10 238	(1 818)
Income tax paid	(3 908)	(8 911)	(6 286)	(9 463)
Derecognition of emission rigths to CO2 identified in a business combination	4 413	7 079	149	8 867
Cogeneration of certificates	5 835	240	4 502	17 676
Other	(2)	125	1 434	5 660
Net cash flow from operating activities	9 015	71 500	44 914	76 434
Cash flow from investing activities				
Proceeds from sale of property, plant and equipment and intangibles	60	380	(1 472)	(1 373)
Purchase of property, plant and equipment and intangible assets	(14 690)	(35 611)	(11 086)	(48 826)
Other investing inflows and outflows	(0)	(0)	156	192
Net cash flow from investing activities	(14 631)	(35 231)	(12 401)	(50 007)
Cash flow from financing activities				
Change in bank overdrafts	1 432	1 817	(9 250)	863
Repayment of finance lease liabilities	(1 913)	(6 097)	(2 016)	(5 916)
Repayment of other finance liabilities	18 643	(4 129)	(48)	(2 651)
Proceeds from loans, borrowings and bonds	-	-	15 791	132 956
Repayment of loans, borrowings and bonds	(4 938)	(16 953)	(31 306)	(182 338)
Payments to owners	(9 973)	(9 973)	-	-
Interest paid	(11 937)	(30 164)	(15 848)	(28 979)
Other	-	-	(877)	50
Net cash flow from financing activities	(8 686)	(65 499)	(43 553)	(86 016)
Net increase/(decrease) in cash and cash equivalents	(14 301)	(29 230)	(11 040)	(59 588)
Net foreign exchange differences	2 696	(2 197)	(3 184)	(4 180)
Cash and cash equivalents at the beginning of the period	146 478	166 299	129 858	179 402
Cash and cash equivalents at the end of the period	134 872	134 872	115 634	115 634

Interim condensed consolidated financial statements for the nine months' period ended 30th September 2012 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 2012	554 035	80 060	36 652	110 849	(106 259)	675 336	225	675 561
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	(117 396)	676 706	225	676 932

	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 2011	554 035	72 289	22 454	40 131	(21 191)	667 718	225	667 943
Net profit (loss) for the year	-	-	-	-	12 066	12 066	-	12 066
Other comprehensive income	-	-	14 198	(18 646)	-	(4 449)	-	(4 449)
Total comprehensive income	-	-	14 198	(18 646)	12 066	7 618	-	7 618
Profit distribution	-	7 771	-	89 364	(97 135)	-	-	-
As at 31 December 2011 (audited)	554 035	80 060	36 652	110 849	(106 259)	675 336	225	675 561

Interim condensed consolidated financial statements for the nine months' period ended 30th September 2012 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 2011	554 035	72 289	22 454	40 131	(21 191)	667 718	225	667 943
Net profit (loss) for the period	-	-	-	-	(16 020)	(16 020)	-	(16 020)
Other comprehensive income	-	-	8 126	(9 681)	(17)	(1 572)	-	(1 572)
Total comprehensive income	-	-	8 126	(9 681)	(16 037)	(17 592)	-	(17 592)
Profit distribution	-	7 771	-	89 364	(97 135)	-	-	-
As at 30 September 2011 (unaudited)	554 035	80 060	30 580	119 814	(134 363)	650 127	225	650 352

Standalone financial statements and selected financial data

Selected standalone financial data

	For the period from 01.01.2012 to 30.09.2012 PLN 000's	For the period from 01.01.2011 to 30.09.2011 PLN 000's	For the period from 01.01.2012 to 30.09.2012 EUR 000's	For the period from 01.01.2011 to 30.09.2011 EUR 000's
Revenues	93 426	48 570	22 196	12 079
Operating profit (loss)	46 365	27 237	11 015	6 773
Profit (loss) before tax	27 935	20 490	6 637	5 096
Profit (loss) from continuing operations	27 935	20 490	6 637	5 096
Profit (loss) for the period	27 935	20 490	6 637	5 096
Net operating cash flow	41 506	(15 961)	9 861	(3 969)
Net investment cash flow	(27 320)	61	(6 491)	15
Net financial cash flow	(27 846)	(224)	(6 616)	(56)
Net change in cash and cash equivalents	(13 659)	(16 124)	(3 245)	(4 010)
Weighted average number of shares	55 403 500	55 403 500	55 403 500	55 403 500
Weighted average diluted number of shares	55 768 500	55 403 500	55 768 500	55 403 500
EPS (in PLN/EUR)	0,50	0,37	0,12	0,09
Diluted EPS (in PLN/EUR)	0,50	0,37	0,12	0,09
Average PLN/EUR rate*			4,2091	4,0211

	As at 30 September 2012 PLN 000's	As at 31 December 2011 PLN 000's	As at 30 September 2012 EUR 000's	As at 31 December 2011 EUR 000's
Assets	1 053 295	1 018 874	256 040	230 681
Long-term liabilities	1 867	201 707	454	45 668
Short-term liabilities	253 352	36 980	61 586	8 373
Equity	798 076	780 188	194 000	176 641
Share capital	554 035	554 035	134 677	125 438
Number of shares	55 403 500	55 403 500	55 403 500	55 403 500
Diluted number of shares	55 768 500	55 403 500	55 768 500	55 403 500
Book value per share (in PLN/EUR)	14,40	14,08	3,50	3,19
Diluted book value per share (in PLN/EUR)	14,31	14,08	3,48	3,19
Declared or paid dividend (in PLN/EUR)	9 972 630	-	2 424 189	-
Declared or paid dividend per share (in PLN/EUR)	0,18	-	0,04	-
PLN/EUR rate at the end of the period**			4,1138	4,4168

* - 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 2012 PLN thousand

Standalone income statement

	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)
Continuing operations				
Sales of services	12 951	25 725	5 459	18 383
Interest income	6 896	19 849	7 387	19 992
Dividends	0	47 852	-	10 195
Revenues	19 847	93 426	12 846	48 570
Cost of sales	-	-	-	-
Gross profit on sales	19 847	93 426	12 846	48 570
Other operating income	67	368	23	47
Selling and distribution costs	(685)	(685)	-	-
Administrative expenses	(7 272)	(20 125)	(8 086)	(21 317)
Other operating expenses	(51)	(26 619)	(15)	(63)
Operating profit / (loss)	11 906	46 365	4 769	27 237
Finance income	82	193	6 572	7 405
Finance costs	(6 789)	(18 622)	(5 515)	(14 152)
Profit / (loss) before tax	5 199	27 935	5 826	20 490
Income tax	-	-	-	-
Net profit (loss) for the period from continuing operations	5 199	27 935	5 826	20 490
Discontinued operations				
Profit (loss) for the period from discontinued operations	-	-	-	-
Net profit (loss) for the period	5 199	27 935	5 826	20 490
Earnings per share:				
– basic from the profit (loss) for the period	0,09	0,50	0,11	0,37
– basic from the profit (loss) from continuing operations for the period	0,09	0,50	0,11	0,37

Interim condensed consolidated financial statements for the nine months' period ended 30th September 2012 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	5 199	27 935	5 826	20 490
Exchange difference on translation of foreign operations	(83)	(74)	(25)	(34)
Total net other comprehensive income	(83)	(74)	(25)	(34)
Total comprehensive income for the period	5 116	27 861	5 801	20 456

Interim condensed consolidated financial statements for the nine months' period ended 30th September 2012 PLN thousand

Standalone balance sheet

	As at 30 September 2012 (unaudited)	As at 30 June 2012 (revised)	As at 31 December 2011 (audited)	As at 30 September 2011 (unaudited)
ASSETS				
Non-current assets				
Property, plant and equipment	331	357	376	391
Intangible assets	1 326	1 328	1 328	1 309
Investment in subsidiaries, associates and joint ventures	945 375	939 232	615 310	587 065
Other financial assets (non-current)	5 409	5 534	289 108	210 203
Other non-financial assets (non-current0	1 687	1 679	1 711	181
	954 128	948 130	907 832	799 149
Current assets				
Inventories	-	-	-	57
Trade and other receivables	55 188	51 222	17 095	23 660
Income tax receivables	848	668	364	328
Other financial assets	32 269	32 876	68 941	180 248
Other non-financial assets	762	802	882	655
Cash and cash equivalents	10 101	6 006	23 760	9 244
	99 167	91 573	111 042	214 192
TOTAL ASSETS	1 053 295	1 039 703	1 018 874	1 013 341
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent company				
Share capital	554 035	554 035	554 035	554 035
Share premium	82 247	82 247	80 062	80 062
Other reserves	135 424	135 424	120 276	120 276
Foreign currency translation	(80)	3	(6)	(29)
Retained earnings / Accumulated (unabsorbed) losses	26 450	21 252	25 820	20 490
Total equity	798 076	792 961	780 188	774 834
Non-current liabilities				
Interest-bearing loans, borrowings and bonds	-	-	199 814	199 814
Provisions	1 865	1 856	1 892	-
Deferred tax liabilities	2	2	1	1
	1 867	1 858	201 707	199 815
Current liabilities				
Interest-bearing loans, borrowings and bonds	225 336	229 239	28 735	29 949
Trade payables	25 517	3 361	1 918	3 504
Other current liabilities	1 161	11 301	3 600	1 922
Accruals and deferred income	1 337	983	2 727	3 317
	253 352	244 884	36 980	38 692
TOTAL LIABILITIES	255 219	246 742	238 687	238 507
TOTAL EQUITY AND LIABILITIES	1 053 295	1 039 703	1 018 874	1 013 341

Additional explanatory notes to the interim condensed quarterly consolidated financial statements, included on pages from 53 to 72 are its integral part.

Interim condensed consolidated financial statements for the nine months' period ended 30th September 2012 PLN thousand

Standalone cash flow statement

	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)
Cash flow from operating activities				
Profit (loss) before taxation	5 199	27 935	5 826	20 490
Adjustments for:				
Depreciation	29	83	37	124
Gain / (loss) from foreign exchange differences	(84)	(72)	-	-
Net interest	4 667	13 750	8 549	13 382
Gain/loss from investing activities	-	-	(20)	(20)
Increase / decrease in receivables and other non-financial assets	(4 055)	(38 069)	5 680	3 138
Increase / decrease in inventories	-	-	(4)	(6)
Increase / decrease in payables except for loans, borrowings and bonds	22 987	21 161	(584)	28 478
Change in accruals and prepayments	475	(1 270)	379	527
Change in provisions	9	(27)	-	(625)
Income tax paid	(180)	(484)	(187)	(132)
Increase / decrease in loans to subsidiaries	(5 960)	18 497	(20 305)	(81 283)
Other	-	-	(25)	(34)
Net cash flow from operating activities	23 087	41 506	(655)	(15 961)
Cash flow from investing activities				
Purchase of property, plant and equipment and intangible assets	-	(38)	-	(3)
Proceeds from sales of property, plant and equipment and intangible assets	-	-	64	64
Increse of shares in subsidiaries	(60)	(27 282)	-	-
Net cash flow from investing activities	(60)	(27 320)	64	61
Cash flow from financing activities				
Repayment of bonds	-	-	-	(66 000)
Bonds issue	-	-	-	80 000
Other finacial outflows	-	-	-	(842)
Dividends	(9 973)	(9 973)	-	-
Interest and dividends paid	(8 960)	(17 873)	(8 549)	(13 382)
Net cash flow from financing activities	(18 933)	(27 846)	(8 549)	(224)
Net increase/(decrease) in cash and cash equivalents	4 095	(13 659)	(9 140)	(16 124)
Cash and cash equivalents at the beginning of the period	6 006	23 760	18 384	25 368
Cash and cash equivalents at the end of the period	10 101	10 101	9 244	9 244

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	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
Profit distribution/ Dividend payment	-	2 184	-	15 148	(27 305)	(9 973)
As at 30 September 2012 (unaudited)	554 035	82 247	(80)	135 424	26 450	798 076

	Share capital	Share premium	Translation reserve	Other reserves	Retained earnings (losses)	Total equity
As at 1 January 2011	554 035	72 289	5	30 914	97 135	754 379
Profit for the year	-	-	-	-	27 305	27 305
Other comprehensive income	-	2	(11)	(2)	-	(11)
Total comprehensive income	-	2	(11)	(2)	27 305	27 294
Tax group pooling	-	-	-	-	(1 485)	(1 485)
Profit distribution	-	7 771	-	89364	(97 135)	-
As at 31 December 2011 (audited)	554 035	80 062	(6)	120 276	25 820	780 188

Additional explanatory notes to the interim condensed quarterly consolidated financial statements, included on pages from 53 to 72 are its integral part.

Interim condensed consolidated financial statements for the nine months' period ended 30th September 2012 PLN thousand

	Share capital	Share premium	Translation reserve	Other reserves	Retained earnings (losses)	Total equity
As at 1 January 2011	554 035	72 289	5	30 914	97 135	754 379
Profit for the period	-	-	-	-	20 490	20 490
Other comprehensive income	-	2	(34)	(2)	-	(34)
Total comprehensive income	-	2	(34)	(2)	20 490	20 456
Profit distribution	-	7 771	-	89 364	(97 135)	-
As at 30 September 2011 (unaudited)	554 035	80 062	(29)	120 276	20 490	774 834

Additional explanatory notes to the interim condensed quarterly consolidated financial statements, included on pages from 53 to 72 are its integral part.

Interim condensed consolidated financial statements for the nine months' period ended 30th September 2012 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	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
Profit distribution/ Dividend payment	-	2 184	-	15 148	(27 305)	(9 973)
As at 30 September 2012 (unaudited)	554 035	82 247	(80)	135 424	26 450	798 076

	Share capital	Share premium	Translation reserve	Other reserves	Retained earnings (losses)	Total equity
As at 1 January 2011	554 035	72 289	5	30 914	97 135	754 379
Profit for the year	-	-	-	-	27 305	27 305
Other comprehensive income	-	2	(11)	(2)	-	(11)
Total comprehensive income	-	2	(11)	(2)	27 305	27 294
Tax group pooling	-	-	-	-	(1 485)	(1 485)
Profit distribution	-	7 771	-	89364	(97 135)	-
As at 31 December 2011 (audited)	554 035	80 062	(6)	120 276	25 820	780 188

Additional explanatory notes to the interim condensed quarterly consolidated financial statements, included on pages from 53 to 72 are its integral part.

Interim condensed consolidated financial statements for the nine months' period ended 30th September 2012 PLN thousand

Shareholding structure

The main shareholder of Arctic Paper S.A. is Trebruk AB (former under the name of Arctic Paper AB), a company under Swedish law, holding as on 30th September 2012, 41,479,500 shares of our Company which is 74.87% of its share capital corresponding to 74.87% of the total number of votes at the General Meeting.

Thus, Trebruk AB is the parent company in relation to the Arctic Paper S.A.

The ultimate parent of the 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 5 November 2012	30 September 2012	24 August 2012	31 December 2011
Arctic Paper Kostrzyn S.A.	Poland, Fabryczna 1, 66-470 Kostrzyn nad Odrą	Paper production	100%	100%	100%	100%
Arctic Paper Munkedals AB	Sweden, SE 455 81 Munkedal	Paper production	100%	100%	100%	100%
Arctic Paper Mochenwangen GmbH	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Paper production	99,74%	99,74%	100%	99,74%
Arctic Paper Grycksbo AB	Sweden, Box 1, SE 790 20 Grycksbo	Paper production	100%	100%	100%	100%
Grycksbo Paper (Deutschland) GmbH	Germany, Max-Brauer-Allee 52, 22765 Hamburg	Trading services	-	-	-	100%
Grycksbo Paper UK Limited	Great Britain, 52 Hither Green Lane, Abbey Park, Redditch	Trading services	-	-	-	-
Grycksbo Paper France EURL	France, 3 rue de Teheran, 75008 Paris 8	Trading services	-	-	-	-
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, Dreve des Marroniers 28, 1410 Waterloo	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 2012 PLN thousand

Entity	Registered office	Business activities	Share in capital of subsidiaries entities			
			5 November 2012	30 September 2012	24 August 2012	31 December 2011
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	Norway, Per Kroghsvei 4, Oslo	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)	Szwecja, Box 383, 401 26 Göteborg	Holding company	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%	95%	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%
Kalltorp Kraft Handelsbolaget	Sweden, 461 29 Trollhattan	Hydro energy production	50%	-	-	-

* - 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 2012 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 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.

In June 2012 a sales office Grycksbo Paper GmbH was closed.

On 1st October 2012, Arctic Paper Munkedals AB purchased for PLN 4,850 thousand (SEK 10,000 thousand) 50% of shares in Kalltorp Kratf Handelsbolaget seated in Trolhättan, Sweden.

3. Management and supervisory bodies

3.1. Management Board of the Parent Company

As on 30th September 2012, the following constituted the Parent Company's Management Board:

- Michał Jarczyński – President of the Management Board appointed on 30th April 2008;
- Michał Bartkowiak – Member of the Management Board appointed on 17th September 2009;
- Jacek Łoś – Member of the Management Board appointed on 27th April 2011;
- Per Skoglund – Member of the Management Board appointed on 27th April 2011.
- Wolfgang Lübbert – Member of the Management Board appointed on 5th June 2012;

On 20th January 2012 Mr Hans Karlander resigned from being a Member of the Management Board effective on 31st March 2012 (current report 2/2012). On 5th June 2012 the Supervisory Board of the Company appointed Mr Wolfgang Luebbert as a Member of the Management Board of Arctic Paper S.A starting from 5th June 2012 (current report 10/2012).

3.2. Supervisory Board of the Parent Company

As on 30th September 2012 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;
- Fredrik Lars Plyhr – Member of the Supervisory Board appointed on 22nd October 2008;
- Jan Ohlsson – Member of the Supervisory Board appointed on 8th June 2010.
- Mariusz Grendowicz - Member of the Supervisory Board appointed on 28th June 2012;

During the Ordinary Shareholders Meeting on 28th June 2012, Mr Wiktorian Tarnawski was dismissed from beong a Member of the Supervisory Board, while Mr Mariusz Grendowicz was appointed to serve this function.

3.3. Audit Committee of the Parent Company

As on 30th September 2012 the Parent Company's Audit Committee consisted of the following members:

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

4. Approval of the financial statements

The hereby interim quarterly condensed consolidated financial statements were approved for publishing by the Management Board on 5th November 2012.

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.

As on the date of authorization of these financial statements, in light of the current process of IFRS endorsement in the European Union and the nature of the Company activities, there is no difference between the IFRS applied by the Company and the IFRS endorsed by the European Union.

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 the date of the approval of these interim condensed consolidated financial statements, there is no awareness of any facts or circumstances that would indicate a threat to the continued activity of the Company.

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 2011.

6. Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed half-yearly financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December 2011, except for application of changes in standards and new interpretations binding for yearly periods beginning on 1st January 2012:

- Changes to IFRS 7 Financial Instruments: Disclosures: transfers of financial assets – applicable for yearly periods beginning on 1st July or 2011 later. The adoption of these changes did not have an impact on the financial position or performance of the Group, or on the scope of information presented in the Company's financial statements.

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

6.1. 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 revenue 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 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 2012 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 (other reserve capitals).

The following exchange rates were used for valuation purposes:

	As at 30 September 2012	As at 31 December 2011
USD	3,1780	3,4174
EUR	4,1138	4,4168
SEK	0,4880	0,4950
LVL	5,9089	6,3120
DKK	0,5519	0,5941
NOK	0,5591	0,5676
GBP	5,1571	5,2691
CHF	3,4008	3,6333

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

	01/01 - 30/09/2012	01/01 - 30/09/2011
USD	3,2864	2,8596
EUR	4,2091	4,0211
SEK	0,4820	0,5419
LVL	6,0337	5,6810
DKK	0,5659	0,5394
NOK	0,5602	0,4463
GBP	5,1820	4,6136
CHF	3,4948	3,2675

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 three business segments:

- **Uncoated paper** – paper for printing or other graphic purposes, including wood-free and wood-containing. Uncoated wood-free paper can be manufactured 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.a. 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.

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 on 30th September 2012 and represents the situation as on 30th September 2012.

Nine months' period ended 30th September 2012 and as on 30th September 2012

	Continuing Operations					
	Uncoated	Coated	Other	Total	Eliminations	Total Group
Revenues						
Sales to external customers	1 420 553	565 042	-	1 985 595	-	1 985 595
Inter-segment sales	122 851	128 111	25 725	276 687	(276 687)	-
Total segment revenues	1 543 404	693 152	25 725	2 262 281	(276 687)	1 985 595
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	(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	1 170 196	773 611	437 739	2 381 546	(580 721)	1 800 824
Segment liabilities	679 964	634 092	255 218	1 569 273	(579 901)	989 373
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 PLN 926 thousand is interest income) and financial costs (PLN 32,305 thousand of which PLN 27,156 thousand is interest costs), 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 10,398 thousand, deferred tax liability of PLN -144,917 thousand) as these positions are managed in the Group level. Segment assets do not also include investments in the entities operating 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 on 30th September 2012 and represents the situation as on 30th September 2012.

Three months' period ended on 30th September 2012 and as on 30th September 2012

	Continuing Operations					
	Uncoated	Coated	Other	Total	Eliminations	Total Group
Revenues						
Sales to external customers	478 811	194 010	-	672 820	-	672 820
Inter-segment sales	39 308	36 540	12 951	88 799	(88 799)	-
Total segment revenues	938 553	230 550	12 951	761 619	(88 799)	672 820
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	1 170 196	773 611	437 739	2 381 546	(580 721)	1 800 824
Segment liabilities	679 964	634 092	255 218	1 569 273	(579 901)	989 373
Capital expenditures	12 838	1 852	0	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 PLN 433 thousand is interest income) and financial costs (PLN 12,079 thousand of which PLN 8,448 thousand is interest costs), 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 10,398 thousand, deferred tax liability of PLN -144,917 thousand) as these positions are managed in the Group level. Segment assets do not also include investments in the entities operating 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 on 30th September 2011 and represents the situation as on 31st December 2011.

Nine months' period ended on 30th September 2011 and as on 31st December 2011.

	Continuing Operations					
	Uncoated	Coated	Other	Total	Eliminations	Total Group
Revenues						
Sales to external customers	1 330 148	523 386	-	1 853 534	-	1 853 534
Inter-segment sales	124 470	136 919	18 383	279 773	(279 773)	-
Total segment revenues	1 454 618	660 306	18 383	2 133 307	(279 773)	1 853 534
Segment's Result						
EBITDA	69 784	18 340	-2 826	85 299	4 750	90 049
Interest Income	2 535	77	19 992	22 604	(21 438)	1 166
Interest Costs	(15 150)	(23 439)	(12 994)	(51 582)	21 415	(30 167)
Depreciation - without impairment	(54 400)	(41 238)	(124)	(95 762)	-	(95 762)
Positive FX and other financial income	2 115	(1 337)	17 600	18 378	4 003	22 381
Negative FX and other financial costs	(6 095)	(1 337)	(1 158)	(8 590)	7 428	(1 162)
Profit before tax	(1 211)	(48 934)	20 490	(29 654)	16 158	(13 496)
Segment assets	1 098 841	414 449	403 564	1 916 854	1 316	1 918 169
Segment liabilities	1 007 763	433 631	238 685	1 680 080	(587 630)	1 092 450
Capital expenditures	46 678	2 136	11	48 826	-	48 826

- Revenues from inter-segment transactions are excluded on consolidation;
- Segment result does not include financial income (PLN 23,548 thousand of which PLN 1,166 thousand is interest income) and financial costs (PLN 31,330 thousand of which PLN 30,167 thousand is interest cost), depreciation (PLN 95,762 thousand) as well as income tax liability (PLN -2,524 thousand). However, segment result includes inter-segment sales loss (PLN 4,750 thousand);
- Segment assets and liabilities do not include deferred tax asset and liability (deferred tax asset of PLN 6,362 thousand and deferred tax liability of PLN -156,520 thousand), as these positions are managed in the Group level. Segment assets do not also include investments in the entities operating 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 2012, the Ordinary Shareholders Meeting adopted resolution no 8 regarding distribution of profit for year 2011, in which a part of profit for year 2011 in the amount of PLN 2,184,399.57 assigned in compliance with provisions of Code of Commercial Companies to supplementary capital, in the amount of PLN 9,972,630.00 for payment of dividend (PLN 0.18 per share), while the amount of PLN 15,147,964.96 to reserve capital, with future possibility of using this amount for payment of dividend or other legally permissible purpose.

The General Meeting set the dividend day to 31st July 2012 and the dividend payment day to 21st August 2012 (current report no 13/2012) – the dividend was paid according to schedule.

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 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 from continuing operations	(1 483)	16 168	34 093	(16 020)
Profit (loss) for the period from discontinued operations	-	-	-	-
Net profit (loss) for the period from continuing operations	(1 483)	16 168	34 093	(16 020)
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
Total number of shares (in thousand)	55 403 500	55 403 500	55 403 500	55 403 500
Weighted average number of shares	55 403 500	55 403 500	55 403 500	55 403 500
Profit per share (in PLN)	(0,03)	0,29	0,62	(0,29)

11. Interest-bearing loans, borrowings and bonds

During the reporting period the Group repaid the bank loan taken in PeKaO S.A. (tranches in PLN and EUR) in the total amount of PLN 16,953 thousand. Moreover, the Group increased the debt in overdraft by additional loans amounting to PLN 1,817 thousand (loan in PeKaO S.A. and SvenskaHandelsBanken). The other changes in loans and borrowings as on 30th September 2012 compared to 31st December 2011 result from balance sheet evaluation.

In nine months of 2012 the Capital Group made the payments of interest in the amount of PLN 30,164 thousand, of which interest on coupon bonds series 1/2010 and 1/2011 in the amount of PLN 17,873 thousand.

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12. Equity securities

	As at 30 September 2012 (unaudited)	As at 31 December 2011 (audited)
'A' class ordinary shares of PLN 10 each	500	500
'B' class ordinary shares of PLN 10 each	442 535	442 535
'C' class ordinary shares of PLN 10 each	81 000	81 000
'E' class ordinary shares of PLN 10 each	30 000	30 000
	554 035	554 035

	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	500 000
Issued on 12 September 2008	2008-09-12	44 253 468	442 534 679
Issued on 20 April 2009	2009-06-01	32	321
Issued on 30 July 2009	2009-11-12	8 100 000	81 000 000
Issued on 01 March 2010	2010-03-17	3 000 000	30 000 000
As at 30 September 2012 (unaudited)		55 403 500	554 035 000

12.1. Decrease of the share capital of Arctic Paper S.A.

On 28th June 2012, the Company's Ordinary Shareholders Meeting adopted a resolution regarding decreasing the share capital of the Company by the amount of PLN 498,631,500 that is from the amount of PLN 554,035,000 to the amount of PLN 55,403,500 by decreasing the face value of each share by the amount PLN 9.00 that is from the amount of PLN 10.00 to the amount of PLN 1.00. The amount of the decrease shall be assigned to the Company's reserve capital without payment to shareholders. The decrease of the share capital is purposed to adjust the face value of shares to the one that would allow for increase of the capital and issue of new shares (current report 12/2012).

Until the day of the hereby report, the decrease of share capital has not been recorded in National Court Register. Becase of that, the consolidated and standalone financial data included in the hereby report do not take into account the consequences of the aforementioned resolution.

12.2. Purchase of own shares

On 28th June 2012, the Company's Ordinary Shareholders Meeting adopted a resolution (current report 12/2012), in which it authorizes the Management Board of the Company to purchase the Company's own shares for the purpose of its redemption and decrease of the share capital or for the purpose of further relocation or resale of the own shares on conditions and in the course determined as below:

a) The total amount of purchased shares shall not exceed 5,500,000 (five million five hundred thousand) shares;

b) the total amount assigned by the Company for purchase of own shares shall not exceed the amount of the reserve capital established for this purpose, that is PLN 27,500,000 comprising the price of purchased shares together with the costs of purchase;

c) the price for which the Company will purchase its own shares shall not be lower than PLN 1.00 nor higher than PLN 10.00 per share;

d) the authorization for purchase of the Company's own shares is valid for 60 (sixty) months since the day the resolution has been resolved;

e) purchase of own shares may occur with the mediation of investment company, in stock and non-stock transactions.

The Management Board, acting for the benefit of the Company, upon the opinion of the Supervisory Board, may:

a) stop the purchase of shares before 60 days starting from the day the resolution was adopted or before the funds assigned for the purchase have been fully utilized,

b) refrain from purchase in part or in whole.

In case of a decision being made as mentioned above, the Management Board is bound to submit the information regarding the decision for public knowledge in a manner determined in the Public Offering Act.

The conditions of purchase of own shares for the purpose of its redemption or further relocation or resale shall be compliant with the principles of Commission Regulation (EC) No 2273/2003 dated 22 December 2003.

After the process of purchase of the Company's own shares, in compliance with conditions determined by the Shareholders Meeting, has ended, the Management Board will call a Shareholders Meeting for the purpose of adopting resolution regarding redemption of the Company's own shares and adequate decrease of share capital, or – in case of assignment of the purchased shares to further relocation or resale – the Management Board will make a decision regarding further relocation or resale of own shares. Redemption of the Company's own shares and adequate decrease of share capital is acceptable also before the end of the process of purchase of the Company's own shares.

The Ordinary Shareholders Meeting, acting by virtue of article 362 § 2 item 3 of the Code of Commercial Codes, 348 § 1 in connection with article 396 § 4 and 5 of the Code of Commercial Companies, for the purpose of financing of the purchase of the Company's own shares on conditions and within confines of the authorization granted by the resolution, decides to establish a reserve capital under the name of „Fundusz Programu Odkupu" for the purchase of own shares. The amount of "Fundusz Programu Odkupu" is set to PLN 27,500,000. "Fundusz Programu Odkupu" is assigned to purchase of own shares together with the cost of the purchase. The Ordinary Shareholders Meeting decides to distinguish the "Fundusz Programu Odkupu" from the reserve capital.

13. Conditional increase of share capital and change of the assumptions of incentive program

On 30th July 2009 the Company's Extraordinary Shareholders Meeting adopted the Resolution no 4 regarding assumptions of incentive program for key management officers providing a possibility of gratuitous acquisition of subscription warrants entitling to claim shares of D series excluding pre-emptive rights. As on 31st December 2011 there contracts concluded to dispense 365 thousand of warrants. Until the day of preparing of the hereby report none of the entitled persons exercised the right to exchange warrants for Company's shares.

Because of the change in face value of shares, there was also a change of conditional increase of share capital as provided in the Company's Articles of Association which shall amount to PLN 1,500 thousand.

The conditional increase of share capital was performed for the purpose of execution of the rights to claim series D shares by the holders of warrants. The term of execution of the rights to claim series D shares by the holders of warrants expires on 31st December 2013.

On 28th June 2012 the Ordinary Shareholders Meeting also adopted a resolution regarding change of the resolution no 4 dated 30th July 2009 regarding assumptions of incentive program for key managers of the Company, in reference to the value of shares' issue price for which the entitled persons may claim the shares – in connection with the change of shares' face value, it shall be the issue price amounting to PLN 1.00.

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14. Financial instruments

The Company does not have any material financial instruments, except for cash on hand and cash in bank, bank credits and bonds, receivables and liabilities, forward foreign exchange contracts as well as contracts for the purchase of electricity.

14.1. 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.

As on 30th September 2012 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 the proceeds in EUR currency related to export sales.
- Arctic Paper Munkedals AB designated for cash flow hedge accounting the forward derivatives for electricity hedging in order to hedge the future purchases of electricity.
- Arctic Paper Grycksbo AB designated for cash flow hedge accounting the forward derivatives for electricity hedging in order to hedge the future purchases of electricity.

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 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	18.05.2012
Delivery date	depending on the contract, since 29.10.2012 till 29.11.2012
Hedged amount	4.0 mln EUR
Forward ratio	from 4.3890 to 4.4030

Interim condensed consolidated financial statements for the nine months' period ended 30th September 2012 PLN thousand

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:

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 01.12.2006
Delivery date	depending on the contract, untill 31.12.2015
Hedged amount	385,870 MWh
Forward price	from 32.10 to 48.80 EUR/MWh

The table below presents the fair value of hedging derivatives in the cash flow hedge accounting as on 30th September 2012 and the comparable data:

	As at 30 September 2012 (unaudited)		As at 31 December 2011 (audited)	
	Assets	Liabilities	Assets	Liabilities
FX forward	1 025	-	1 692	-
Electricity forward	-	9 169	-	8 189
Total hedging derivatives	1 025	9 169	1 692	8 189

15. Financial risk management objectives and policies

The Group's principal financial instruments comprise bank loans, bonds, finance 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 Gropu 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 receivables and liabilities from deliveries and services, which arise directly from operations. 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 2011 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.

16. 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 2011 there were no significant changes in the objectives and policies of capital management.

17. Contingent liabilities and contingent assets

As on 30th September 2012 the Group reported:

- a bill of exchange guarantee issued by AP Kostrzyn S.A. in favor of the National Fund for Environment Protection and Water Management for the purpose of securing the payment of the amount granted to the company within the confines of the project "Change in the technology of the heat production as the pre-requisite condition for obtaining the integrated permit Arctic Paper". The financial support granted to the Company within the confines of this project amounts to PLN 20,352 thousand;
- a bill of exchange guarantee issued by AP Kostrzyn S.A. in favor of the National Fund for Environment Protection and Water Management for the purpose of securing the payment of the amount granted to the company within the confines of the project of the extension to wastewater treatment farm as the pre-requisite for balanced development of Arctic Paper Kostrzyn. The financial support granted to the Company within the confines of this project amounts to PLN 2,100 thousand;
- a bill of exchange guarantee issued by AP Kostrzyn S.A. in favor of Bankowy Leasing in the amount of PLN 439 thousand;
- a bill of exchange guarantee in favor of Bankowy Fundusz Leasingowy in the amount of PLN 2,092 thousand;
- 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 250,000 thousand
- a guarantee commitment to FPG in favor of mutual life insurance company PRI in the amount of SEK 50,000 thousand;
- a bank guarantee in favor of Skatteverket Ludvika in the amount of SEK 135 thousand;
- a guarantee dated on 25th March 2010 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 900 thousand and is valid until 31st December 2012;
- 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,
- a bank guarantee in favor of UPM GmbH amounting to EUR 1,000 thousand.

17.1. Legal claims

Case against Cezex Sp. z o.o.

The lawsuit against CEZEX Spółka z o.o. for payment of PLN 11,240,476.19 (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 174,666.00 złotych (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 not yet been examined. The bankruptcy is in progress.

Case against Jakon S.A. in liquidation

On 07th February 2011 bankruptcy of the company was announced with liquidation of the property. The debt in the amount of PLN 2,000,000.00 is guaranteed by mortgage on quarantor'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. A hearing to discuss the appeal was scheduled to 25th July 2012 but did not take place on that day – a new date of hearing was appointed to 19th September 2012. The Court of Appeal cancelled the decision of primary court and requested it to investigate the case.

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 1,538,987/32, 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 .46,957.10 złotych. The bankruptcy is in progress.

As on 30th September 2012, the companies of the Group are not parties to any other legal case.

18. CO2 emission rights

Arctic Paper Kostrzyn S.A., Arctic Paper Munkedals AB, Arctic Paper Mochenwangen GmbH and Arctic Paper Grycksbo AB are all part of the European Union Emission Trading Scheme. The current trading period lasts from 1st January 2008 to 31st December 2012.

The tables below specify the allocation and usage of emission rights by each of the four entities.

Interim condensed consolidated financial statements for the nine months' period ended 30th September 2012 PLN thousand

(in tonnes) for Arctic Paper Kostrzyn S.A.	2008	2009	2010	2011	2012
Amount granted	208 448	208 448	208 448	208 448	208 448
Amount unused from previous years	-	98 511	115 865	183 411	261 812
Amount used	109 643	131 094	143 659	136 564	105 156
Amount purchased	-	14 000	47 800	21 000	-
Amount sold	-	74 000	45 043	14 483	-
Amount unused	98 511	115 865	183 411	261 812	365 104

(in tonnes) for Arctic Paper Munkedals AB	2008	2009	2010	2011	2012
Amount granted	14 011	14 011	14 011	14 011	14 011
Amount unused from previous years	-	(14 232)	(16 655)	(21 504)	(5 711)
Amount used	28 243	23 834	26 120	15 918	1 403
Amount purchased	-	7 400	19 200	17 700	19 160
Amount sold	-	-	11 940	-	-
Amount unused	(14 232)	(16 655)	(21 504)	(5 711)	26 057

(in tonnes) for Arctic Paper Mochenwangen GmbH	2008	2009	2010	2011	2012
Amount granted	118 991	118 991	118 991	118 991	118 991
Amount unused from previous years	-	6 448	-	9 152	(110 424)
Amount used	112 543	105 587	109 839	109 142	82 516
Amount purchased	100 000	-	-	9 142	21 747
Amount sold	100 180	19 500	-	138 567	-
Amount unused	6 448	-	9 152	(110 424)	(52 202)

(in tonnes) dla Arctic Paper Grycksbo AB	2010	2011	2012
Amount granted	69 411*	69 411	69 411
Amount unused from previous years	-	11	422
Amount used	-	-	-
Amount purchased	-	-	-
Amount sold	69 400	69 000	-
Amount unused	11	422	69 833

* quantity as on the day of acquisition

19. Government grants

19.1. Subsidy from Ekofundusz Foundation

In the current quarter the Group companies have not received any subsidies.

19.2. 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 31 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 31 December 2011 and maintaining the employment level at 453 people during the period from 1 January 2012 to 31 December 2013.

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

During the period from 25th August 2006 to 30th September 2012 Arctic Paper Kostrzyn S.A. incurred capital expenditure classified as expenditure of the SEZ in the amount of PLN 192,269 thousand. During this period, the amount of public assistance used was PLN 51,438 thousand. The amount of deferred tax asset on the expenditures incurred in SEZ as at 30 September 2012 stood at PLN 24,405 thousand.

Interim condensed consolidated financial statements for the nine months' period ended 30th September 2012 PLN thousand

20. Significant events after the reporting period

On 1st October 2012, Arctic Paper Munkedals AB purchased for PLN 4,8540 thousand (SEK 10,000 thousand) 50% of shares in Kalltorp Kraft Handelsbolaget seated in Trolhättan, Sweden. Kalltorp Kratf deals in electricity production in its own hydro-power plant. The purpose of the purchase was the realization of the strategy of increasing own energy powers of Arctic Paper Group

On 18th October 2012, Arctic Paper S.A. sold to Arctic Paper Kostrzyn S.A. one share in Arctic Paper Investment GmbH and decreased its involvement in this company by 0.2%

After 30th September 2012 there were no other significant events that might have had influence the material and financial situation of the Group.

21. Other material subjects

As on 30th September 2012 short-term liabilities exceed current assets. It results mainly from presentation of bank loans and bonds to be redeemed within twelve months starting from 30th September 2012 as short-term interest-bearing loans, borrowings and bonds. The Management Board of Arctic Paper S.A. negotiates with banks in order to achieve refinancing of bank loans and liabilities related to bonds whose redemption date is scheduled to January and February 2013. The Management Board plans to repay both bank loans and bonds through new long-term bank loan. The negotiations are advanced and the Management Board of Arctic Paper S.A. expects them to be finalized in the fourth quarter of 2012.

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Signatures of the Members of the Management Board

Position	Name and surname	Date	Signature
President of the Management Board Chief Executive Officer	Michał Jarczyński	5 November 2012	
Member of the Management Board Chief Financial Officer	Michał Bartkowiak	5 November 2012	

Headquarters

Arctic Paper S.A.

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Rottneros financial information for 2009–2011

Incorporation by reference

Rottneros' financial statements for 2009, 2010 and 2011 are part of this information document and should be read as a part thereof. The above financial statements are presented in each company's annual report for that year. The financial statements have been audited and the auditors' reports are included in the report. Annual reports and articles of association of each company are available via Rottneros' website www.rottneros.se and can be obtained for a period of at least 12 months from the date of this information document, free from Rottneros.

Rottneros' interim report January – September 2012

Rottneros

Interim Report January-September 2012

	Quarter			Interim period	
	III 2012	II 2012	III 2011	Jan-Sep 2012	Jan-Sep 2011
Net turnover, SEK m	359	378	367	1 108	1 176
Income after net financial items, SEK m[1]	-26	36	16	6	72
including items affecting comparability	*-26*	*36*	*-132*	*6*	*-76*
Earnings per share after net financial items, SEK[1]	-0.17	0.24	0.11	0.04	0.47
including items affecting comparability	*-0.17*	*0.24*	*-0.86*	*0.04*	*0.50*
Profit/loss after tax, SEK m[1]	-26	27	12	-3	52
including items affecting comparability	*-26*	*27*	*-136*	*-3*	*-96*
Earnings per share after tax, SEK[1]	-0.17	0.18	0.08	-0.02	0.34
including items affecting comparability	*-0.17*	*0.18*	*-0.89*	*-0.02*	*-0.63*
Cash flow before investments per share, SEK	0.09	0.44	0.18	0.32	0.38
Cash flow per share, SEK	0.00	0.35	0.00	0.04	-0.05
	30-09-2012	30-06-2012	30-09-2011	31-12-2011	
Shareholders' equity per share, SEK	6.58	6.71	7.03	6.65	
Equity/assets ratio, %	76	74	78	75	

[1] Excluding total w rite-dow ns and one-off costs of SEK 148 million in the third quarter 2011.

- Income after net financial items amounted to SEK 6 (-76) million for the period January to September 2012. The result for the previous year incurred total write-downs and one-off costs of SEK -148 million.

- Income after net financial items amounted to SEK -26 million for the third quarter of 2012 compared to a profit of SEK 16 million for the same quarter of the previous year, excluding write-downs and one-off costs. There was a vacation and maintenance shutdown respectively at Rottneros Mill and Vallvik Mill during the third quarter of 2012. The maintenance shutdown at Vallvik, which in previous year took place during the fourth quarter, had a negative effect on the result of SEK 25 million.

- Cash flow from current operations amounted to SEK 14 (27) million for the third quarter of 2012 and SEK 49 (57) million for the period January to September 2012.

Pretreatment of chips on the CTMP line at Rottneros Mill

CEO's statement

Rottneros is reporting a positive 9-month result after net financial items of SEK 6 million for the year. Cash flow after investments and net financial income was also SEK 6 million. The customary four-week vacation shutdown at Rottneros Mill together with the annual maintenance shutdown at Vallvik Mill, which predominantly fell in September this year, had a significant effect on the result for the third quarter. The quarterly result was burdened with approx. SEK 30 million owing to these shutdowns.

The summer downturn was unusually severe this year for Swedish pulp producers such as Rottneros. There was a global fall in USD market prices, which had a major impact when added to the significant rise in the value of the Swedish kronor. The market price of our dominant product, NBSK (or chemical softwood pulp), is monitored via the PIX index, which is published weekly, and this price indicator was approx. SEK 5,000 per tonne for Europe at the end of September compared with approx. SEK 6,000 per tonne at the end of May and approx. SEK 5,700 per tonne at the beginning of the year. We now envisage an upward turn in price trends for the final quarter of this year. List prices in Asia have increased twice by USD 20 per tonne. In North America, which has the highest price level, the list prices increased by USD 20 per tonne and in Europe by approx. USD 30 per tonne. Nor was the Swedish krona as strong as it was in August, which means that revenues should now rise again.

Developments have been favourable for us on the cost side, with falling timber and electricity prices as well as fixed costs. We must learn to live with being a high-cost country in an extremely competitive world. Our only protection will be our own competitiveness, including continuous productivity improvements. The continuous rationalisations that have taken place in recent years, including staff reductions, mean that we are not planning any further downsizing or closures at the current time. However, our focus on efficiency and improved customer offerings is stronger than ever. We are obviously pleased in this connection about the permit allowing an increase in production at Vallvik Mill to 242,000 tonnes in three years. This in itself will facilitate a significant improvement in efficiency. The Swedish Environmental Protection Agency has however appealed against this decision.

During the quarter just ended, the world's largest CTMP supplier shut down a major plant in Canada and in Europe Södra announced that they were withdrawing from the CTMP market. This will entail the disappearance of around 10% of global capacity and significantly more of the current CTMP supplies to the European market. Hopefully this reduction on the supply side of mechanical pulp will result in improved price formation. These pulps have unique quality characteristics that are of value to paper and board makers and over time must be priced so that manufacturers also continue in existence.

Ole Terland
President and CEO

THE PULP MARKET

Markets and products

Several price increases were made for short-fibre chemical pulp during the first half of 2012. The price of bleached long-fibre chemical market pulp also increased during the first quarter. However, prices fell back down during the third quarter and amounted to USD 765 per tonne for bleached softwood sulphate pulp at the end of the quarter, which is approx. USD 65 per tonne lower than at the start of the year. EUR prices for short-fibre bleached sulphate pulp rose significantly during the first two quarters, but fell back down during the third quarter. This still represents an increase of EUR 76 per tonne or USD 98 per tonne since the beginning of the year. Demand for chemical pulp continues to be high. At the beginning of 2012, the PIX price for bleached long-fibre sulphate pulp was approx. USD 180 per tonne higher than for short-fibre sulphate pulp, and at the end of the third quarter this variance had decrease to approx. USD 20 per tonne, which is a historically small difference. A price increase of USD 20-25 per tonne was announced for bleached softwood sulphate pulp, increasing this to USD 790 per tonne for all deliveries in October.

Statistics for bleached chemical market pulp for the total global market showed that deliveries for January to August 2012 amounted to 27.7 (27.1) million tonnes, which was 2.0% higher than for the same period in 2011. Ninety-one per cent (90% for the same period in 2011) of the global supply capacity for bleached chemical pulp was utilised for the period January to August 2012. An estimated 92% (93%) of production capacity was utilised during the same period. Global producer stocks of bleached chemical pulp amounted to approx. 4.1 million tonnes at the end of August. This may be compared with the same point in time in 2011, when stock levels were 4.5 million tonnes.

Long-fibre chemical pulp (NBSK) (produced at Vallvik)

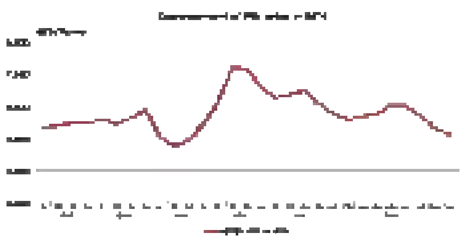
The PIX price for bleached, long-fibre sulphate pulp in Europe was USD 834 per tonne at the beginning of the year and USD 765 per tonne at the end of September. The market for long fibre chemical pulp is well balanced, with a decrease in stock over the year of approx. 160,000 tonnes to the end of August. Producer stock levels for long-fibre chemical pulp are normal, corresponding to 31 days' production.

Supplies of bleached long-fibre chemical pulp increased during January to August 2012 and were just over 2.1% higher than for the same period in 2011. Delivery capacity utilisation during the period January to August 2012 amounted to 93% (92% for the same period in 2011) and production capacity utilisation was approx. 92% (95%).

Mechanical pulp and CTMP (produced at Rottneros)

The price of CTMP amounted to approx. USD 570-590 per tonne in the Western European market at the beginning of the year. The price per tonne largely remained the same or was slightly higher at the end of the third quarter. Deliveries rose by four per cent during January to August 2012 compared with the same period in 2011. Deliveries amounted to 1.9 million tonnes during January to August 2012.

Delivery capacity utilisation was 97% (97%) and production capacity utilisation was 97% (95%) for the period January to August 2012.



PRODUCTION AND DELIVERIES

The Group's pulp mills at Rottneros and Vallvik have a combined annual production capacity of almost 400,000 tonnes. Production amounted to 244,200 (253,700) tonnes for January to September 2012. Production at Vallvik Mill was 5,000 tonnes lower for the period January to September compared with the same period in 2011. This decrease in production is largely explained by the maintenance shutdown, which was held in September instead of in October as in previous years. Vallvik Mill produced well over 20,000 tonnes in June, thereby achieving the highest ever monthly production figure for the mill. Rottneros Mill's production of CTMP increased by 2,500 tonnes compared with the period January to September 2011. However, production of groundwood pulp at the mill fell significantly as a consequence of market-related production restrictions.

Deliveries amounted to 252,100 (238,700) tonnes for January to September 2012. Deliveries from Vallvik Mill increased by 14,500 tonnes during January to September 2012 compared with the same period of the previous year.

PRODUCTION (TONNES)	Jul-Sep 2012	Jul-Sep 2011	Jan-Sep 2012	Jan-Sep 2011
Sulphate pulp	47,000	55,400	156,100	161,000
Groundwood pulp	12,300	9,100	37,400	44,500
CTMP	13,300	12,700	50,700	48,200
TOTAL	**72,6000**	**77,2000**	**244,2000**	**253,7000**

DELIVERIES (TONNES)	Jul-Sep 2012	Jul-Sep 2011	Jan-Sep 2012	Jan-Sep 2011
Sulphate pulp	55,900	51,700	162,700	148,200
Groundwood pulp	14,400	10,200	38,900	43,900
CTMP	14,700	12,400	50,500	46,600
TOTAL	**85,000**	**74,300**	**252,100**	**238,700**

Maintenance shutdowns and seasonal variations

A holiday shutdown took place at Rottneros Mill in July and August, which was combined with minor annual maintenance work. The annual maintenance shutdown at Vallvik Mill started in September 2012 and ended at the beginning of October. The maintenance shutdown lasted for eight days during the third quarter, entailing a loss of production corresponding to 5,000 tonnes. In total the maintenance shutdown affected the result for the quarter by SEK -25 million

Costs relating to maintenance shutdowns are recognised in the period during which the shutdown takes place. Otherwise, the Rottneros Group is not affected by seasonal variations to any appreciable extent.

SIGNIFICANT EVENTS

Rottneros Mill focuses on CTMP production

As previously communicated, the Board of Rottneros in May 2012 decided to immediately commence negotiations concerning the termination of continuous groundwood pulp production at Rottneros Mill. The reason for this is the rapid decline in printing paper consumption in Europe, which has resulted in a dramatic reduction in the demand for groundwood pulp. Rottneros Mill has around 100 employees, 50 of whom were given notice of pending redundancy.

These measures do not generate any substantial one-off costs and do not result in any need for write-downs. Negotiations have been concluded and we plan to cease continuous groundwood pulp production at the end of March 2013. CTMP production will continue at the Mill and limited investments will enable qualitative improvements for customers that manufacture board while slightly increasing capacity.

INVOICING AND RESULTS

January to September 2012 compared with January to September 2011

DEVIATION ANALYSIS	Jan-Sep 2012	Jan-Sep 2011
NBSK PIX	821	985
SEK/USD	6.82	6.41
NBSK SEK	5,598	6,310
OPERATING INCOME	**5**	**-74**
Price		-185
Currency		66
Volume		-21
Variable costs		62
Total write-downs and one-off costs		148
Other		9
TOTAL		**79**

Group net turnover amounted to SEK 1,108 (1,176) million for January to September 2012. The average price of long-fibre sulphate pulp (NBSK) in USD fell by 17% (from USD 985 to USD 821), while the average price of NBSK pulp converted into SEK fell from SEK 6,310 to SEK 5,598 per tonne, a reduction of 11%.

The average price of electricity on the Nord Pool electricity exchange amounted to SEK 0.27 per kWh for January to September 2012, compared with SEK 0.52 per kWh for the same period of the previous year.

- Group operating income amounted to SEK 5 (-74) million for January to September 2012. The result for January to September 2012 was burdened with approx. SEK -25 million as a consequence of the maintenance shutdown at Vallvik Mill. The result for the same period of the previous year incurred SEK -148 million as a consequence of write-downs and one-off costs. Hedging activities realised for January to September 2012 amounted to SEK -5 (13) million.
- Group income after net financial items amounted to SEK 6 (-76) million and includes net financial items of SEK 1 (-2) million. Net financial items include financial exchange gains of SEK 2 (0) million.
- Loss after tax amounted to SEK -3 (-96) million.
- Earnings per share after tax were SEK -0.02 (-0.63).
- Cash flow per share amounted to SEK 0.04 (-0.05).

July to September 2012 compared with July to September 2011

DEVIATION ANALYSIS	Jul-Sep 2012	Jul-Sep 2011
NBSK PIX	786	992
SEK/USD	6.75	6.48
NBSK SEK	5,308	6,425
OPERATING INCOME	**-28**	**-131**
Price		-70
Currency		12
Volume		-6
Variable costs		25
Total write-downs and one-off costs		148
Other		-6
TOTAL		**103**

Group net turnover amounted to SEK 359 (367) million for the third quarter of 2012. The average price of long-fibre sulphate pulp (NBSK) in USD fell by 21% (from USD 992 to USD 786), while the average price of NBSK pulp converted into SEK fell from SEK 6,425 to SEK 5,308 per tonne, a reduction of 17%.

The average price of electricity on the Nord Pool electricity exchange amounted to SEK 0.20 per kWh for July to September 2012, compared with SEK 0.35 per kWh for the same period of the previous year.

- Group operating income amounted to SEK -28 (-131) million for the third quarter of 2012. The result for the third quarter of 2012 was burdened with approx. SEK -25 million as a consequence of the maintenance shutdown at Vallvik Mill, which had been held during the fourth quarter in previous year. The result for the third quarter of 2011 incurred SEK -148 million as a consequence of write-downs and one-off costs. Hedging activities realised for the third quarter of 2012 amounted to SEK 3 (-6) million.

- Group income after net financial items amounted to SEK -26 (-132) million and includes net financial items of SEK 2 (-1) million. Net financial items include financial exchange gains of SEK 3 (0) million.
- Loss after tax amounted to SEK -26 (-136) million.
- Earnings per share after tax were SEK -0.17 (-0.89).
- Cash flow per share amounted to SEK 0.00 (0.00).

July to September 2012 compared with April to June 2012

DEVIATION ANALYSIS	Jul-Sep 2012	Apr-Jun 2012
NBSK PIX	786	845
SEK/USD	6.75	6.95
NBSK SEK	5,308	5,870
OPERATING INCOME	**-28**	**36**
Price		-23
Currency		-9
Volume		-16
Variable costs		0
Other		-16
TOTAL		**-64**

Group net turnover amounted to SEK 359 million for the third quarter of 2012 compared with SEK 378 million for the second quarter of 2012. The average price of long-fibre sulphate pulp (NBSK) in USD fell from USD 845 to USD 786, while the average price of NBSK pulp converted into SEK fell from SEK 5,870 to 5,308 per tonne, a reduction of 10%.

The average price of electricity on the Nord Pool electricity exchange amounted to SEK 0.20 per kWh for the third quarter of 2012, compared with SEK 0.26 per kWh for the second quarter of 2012.

- Group operating loss amounted to SEK -28 million for the third quarter of 2012 compared with the second quarter of 2012 when operating profit amounted to SEK 36 million. The result for the third quarter incurred approx. SEK -25 million related to the maintenance shutdown at Vallvik Mill. Furthermore, a vacation shutdown was held at Rottneros Mill during the third quarter. Hedging activities realised during the third quarter of 2012 amounted to SEK 3 (-6) million.
- Group income after net financial items amounted to SEK -26 million for the third quarter of 2012, compared with a profit of SEK 36 million for the second quarter of 2012.

INVESTMENTS AND FINANCIAL POSITION

- Group investments in fixed assets amounted to SEK 44 (69) million for January to September 2012.
- The Group's liquid funds amounted to SEK 15 million at the end of September 2012, compared with SEK 21 million at the end of December 2011.
- The Group had total interest-bearing liabilities of SEK 50 million on 30 September 2012 (SEK 47 million on 31 December 2011). Net interest-bearing liabilities amounted to SEK 35 million (SEK 26 million on 31 December 2011).
- Approved but unutilised credit facilities amounted in total to SEK 106 million on 30 September 2012 and total approved credit facilities amounted to SEK 150 million.
- The equity/assets ratio was 76% on 30 September 2012, which is one percentage unit higher than on 31 December 2011.
- Equity per share amounted to SEK 6.58 (SEK 6.65 on 31 December 2011).

CASH FLOW

- Cash flow from operating activities before investments amounted to SEK 49 (57) million for January to September 2012 and included cash flow of SEK -10 (13) million from financial hedging.
- Cash flow after investing activities amounted to SEK 6 (-8) for January to September 2012.

AVERAGE NUMBER OF EMPLOYEES

The average number of employees was 278 (302) for January to September 2012.

TAX

Deferred tax assets amounted to SEK 60 million on 30 September 2012, representing a reduction of SEK 13 million compared with 31 December 2011.

Recorded deferred tax assets correspond to unutilized tax loss carry-forward of SEK 228 million. In addition there was also a tax loss carry-forward of SEK 174 million, for which deferred tax assets have not been recognized.

PARENT COMPANY

The parent company's income after net financial items amounted to SEK -22 (-84) million for January to September 2012. The result for January to September 2011 incurred total write-downs of receivables of SEK -72 million. The income after net financial items includes hedging activities realised for the entire Group, which affected the result by SEK -5 (13) million.

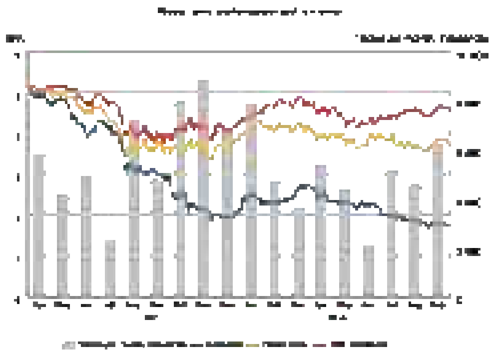
The parent company's balance sheet and income statement can be found on pages 13 and 14.

SHARE INFORMATION

NUMBER OF SHARES

	30 September 2012
Registered number of shares	153,393,890
- of which treasury shares	821,965

Share price



LARGEST SHAREHOLDERS AT 30 SEPTEMBER 2012

Shareholder	Number of shares (=votes)	Percentage of capital
Nemus Holding AB	30,857,435	20.1
Skagen Verkst Verdipapirfond	11,452,911	7.5
Danske Bank A/S	6,451,273	4.2
DNB NOR Bank ASA Sverige	6,451,273	4.2
Clearstream Banking S.A W8IMY	5,601,100	3.6
Robur Försäkring	4,754,414	3.1
Aziz Invest AB	4,500,000	2.9
JP MORGAN BANK	3,802,532	2.5
BBVA Ireland P.L.C	2 323,139	1.5
Försäkringsaktiebolaget, Avanza Pension	2,318,608	1.5
Total holdings of 10 largest shareholders	**78,512,685**	**51.1**
Rottneros AB (treasury stock from buy-back)	821,965	0.5
Other shareholders	74,059,240	48.4
TOTAL	**153,393,890**	**100.0**

Sale of treasury shares

The number of shares in Rottneros amounts to 153,393,890. Rottneros' holding of treasury shares amounts to 821,965 shares. The AGM held in 2012 authorised the Board to make decisions regarding the transfer of shares in the company for the period up until the next AGM. No such transfer has taken place so far.

Transactions with related parties

Rottneros has sold pulp to the Arctic Paper S.A. Group, which is a closely related party, amounting to approx. SEK 80 million during the period. This has been conducted on normal market terms.

Dividends

A resolution was made at the AGM on 19 April 2012 to issue a dividend of SEK 0.10 per share, which corresponds in total to SEK 15 million. This dividend was distributed in April 2012.

RISK MANAGEMENT

The company's operational work involves a number of measures and strategies – for example, focusing on niches and various specific customer segments – aimed at reducing the Group's dependence on market pulp list prices and moderating fluctuations in profitability over a business cycle. The factors that have the greatest impact on the Group's results are linked with exchange rates and the prices of pulp, timber and electricity.

Profit/loss after financial items

	2012			2011				
Group	III	II	I	IV	III	II	I	Full year
Profit/loss after financial items	**-26**	**36**	**-4**	**-44**	**-132**	**37**	**19**	**-120**
Whereof:								
Currency hedges	5	-2	2	-4	-1	5	7	7
Pulp price hedges	6	2	-	-	-	-	-	-
Electricity hedges	-8	-6	-4	-9	-5	1	6	-7
Total hedges	**3**	**-6**	**-2**	**-13**	**-6**	**6**	**13**	**0**
Green electricity	**5**	**5**	**5**	**3**	**5**	**6**	**6**	**20**

Currency exposure, USD and EUR

Although Rottneros issues invoices in various currencies, the main underlying currency for pulp prices is predominantly USD. Around 10% of invoicing is contracted in SEK, with EUR as the invoicing currency. The underlying exposure to USD is thus very high, while the direct inflow of USD (the real flow) corresponds to just over 45%. However, the impact of exchange rate fluctuations on indirect exposure is delayed, as the normal duration of a contract is between one and three months.

The average USD exchange rate was 6% higher for January to September 2012 compared with the same period of the previous year, amounting to an average of SEK 6.82/USD for the period compared with

SEK 6.41/USD for January to September 2011. The impact on turnover of a higher average exchange rate for USD in relation to SEK for January to September 2012 amounted to SEK 56 million compared with January to September 2011.

At the end of September 2012, currencies were hedged in the form of forward contracts concluded for USD 13 million at an average rate of SEK 7.00/USD. In addition to this, currencies were hedged in the form of forward contracts concluded for EUR 13 million at an average rate of SEK 9.20/EUR for electricity purchases for 2012 to 2015.

Pulp price

The price of pulp (NBSK) is set in USD, while manufacturing costs are largely incurred in local currencies. During the first half of 2012, contracts were concluded to hedge the pulp price at USD 890 per tonne for 2,000 tonnes per month for the period April to December 2012 together with contracts to hedge the pulp price at SEK 6,060 per tonne for 1,000 tonnes per month for the period July to December 2012. The profit realised by this hedging amounted to SEK 6 million for the third quarter of 2012.

Electricity

All physical electricity is purchased directly via the Nord Pool electricity exchange. Electricity prices are quoted in EUR. At the end of September 2012, the amount of electricity hedged corresponded to the proportion of forecast consumption shown in the table. Average prices in EUR/MWh are specified in the table, together with average prices in SEK/kWh (based on EUR forward exchange rates as of 30 September 2012).

ELECTRICITY HEDGING AT 30 SEPTEMBER 2012

Year	Part hedged	EUR/MWh	SEK/kWh
2012 Q4	60%	49.1	0.42
2013	52%	45.4	0.39
2014	34%	46.5	0.40
2015	17%	49.0	0.43

Total EUR hedging of EUR 13 million was concluded at an average rate of SEK 9.20/EUR for electricity costs in 2012-2015.

The average price level for electricity on Nord Pool amounted to SEK 0.27 per kWh for January to September 2012.

See pages 32 to 36 of the Annual Report for 2011 for further information on risk.

MARKET VALUE (SEK million) SEPTEMBER 2012

Hedging	Hedged volume	Hedge price	Market value	Reference - spot rate 30 Sep 2012
Currency USD, forward sell	USD 13 m	7.00 SEK/USD	6	6.59 SEK/USD
Currency EUR, forward buy	EUR 13 m	9.20 SEK/EUR	-8	8.49 SEK/EUR
Pulp price	6,000 tonnes	890 USD (PIX)	5	USD 762 (PIX)
Pulp price	3,000 tonnes	6,060 SEK (PIX)	3	SEK 5,022 (PIX)
Electricity	306,980 MWh	SEK 0.401/kWh	-24	SEK 0.212/kWh
Total market value			**-18**	

MARKET VALUE (SEK million) SEPTEMBER 2011

Hedging	Hedged volume	Hedge price	Market value	Reference - spot rate 30 Sep 2011
Currency USD, forward sell	USD 24 m	6.60 SEK/USD	-6	6.78 SEK/USD
Currency EUR, forward sell	EUR 9 m	9.10 SEK/EUR	2	9.23 SEK/EUR
Electricity	434,572 MWh	SEK 0.455/kWh	-12	SEK 0.253/kWh
Total market value			**-16**	

The table above shows the market values of all hedging. The valuation refers to the liquidation value; i.e. a valuation made in accordance with the forward contracts on 30 September 2012. The reference value refers to the spot rate on 30 September and is provided as supplementary information. As a result of the application of IFRS/IAS, these market values are reflected in the balance sheet and in some cases in the income statement, but are also shown here as supplementary information.

ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with IAS 34 ‘Interim Financial Reporting’, which complies with Swedish law through the application of the Swedish Financial Reporting Board’s Recommendation RFR 1 ‘Supplementary Accounting Rules for Groups’ together with RFR 2 ‘Accounting for Legal Entities’, in respect of the parent company.

The accounting principles, definitions of key ratios and calculation methods are the same as those used in the last annual report.

FORECAST FOR 2012

The company is not providing an earnings forecast for 2012.

FORTHCOMING FINANCIAL INFORMATION

24 January 2013	Year-end Release for 2012
18 April 2013	Interim Report Jan-March 2013
18 July 2013	Interim Report Jan-June 2013
22 October 2013	Interim Report Jan-Sept 2013
24 January 2014	Year-end Release for 2013

The AGM for Rottneros AB will be held in Stockholm on Thursday, 18 April 2013.

For more information, please visit Rottneros’ updated website, www.rottneros.com.

Stockholm, 19 October 2012

Ole Terland
President and Chief Executive Officer

REPORT OF REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed this report for the period 1 January 2012 to 30 September 2012 for Rottneros AB (publ). The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the Swedish Standard on Review Engagements SÖG 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, 19 October 2012

Öhrlings PricewaterhouseCoopers AB

Bo Lagerström

Authorised Public Accountant

Analyst and press conference

Analysts and journalists are invited to a meeting on Friday 19 October 2012 at 10.00.

Location: Rottneros Head Office, World Trade Center, Kungsbron 1, C6, Stockholm, Sweden

Please register with Hella Wopfner, hella.wopfner@rottneros.com, telephone: +46 8 590 010 12

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Rottneros discloses the information provided herein pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act. This information was submitted for publication on 19 October 2012 at 08.00. A Swedish and an English version of this report have been drawn up. The Swedish version shall apply in the event of differences between the two reports.

DEFINITIONS OF KEY RATIOS

Equity/assets ratio
Shareholders' equity as a percentage of the balance sheet total.

Interest-bearing net assets/liabilities
Liquid assets minus interest-bearing liabilities.

Debt/equity ratio
Interest-bearing net assets/liabilities divided by shareholders' equity.

Operating margin
Operating profit after depreciation as a percentage of net turnover for the period.

Profit margin
Profit after net financial items as a percentage of net turnover for the period.

Net profit/loss
Net profit/loss is the profit/loss after tax.

Earnings per share
Net profit/loss divided by the average number of shares.

Return on capital employed
Profit after net financial items plus interest expense for the past twelve-month period divided by the average capital employed for the period in question.

Capital employed
Balance sheet total less non-interest-bearing operating liabilities including deferred tax liabilities.

Return on equity
Net profit for the past twelve-month period as a percentage of average shareholders' equity for the period in question.

Interest coverage ratio
Profit after net financial items plus interest expense, divided by interest expense.

P/E ratio
Share price at the end of the period in relation to earnings per share after tax.

Direct yield
Dividend as a percentage of the share price at the end of the period.

Operating cash flow/share
Cash flow from operating activities and normal investments divided by the number of shares.

Cash flow before investments/share
Cash flow from operating activities divided by the number of shares.

GLOSSARY

BEK	Bleached Eucalyptus Kraft, bleached eucalyptus pulp.	Mechanical pulp	Pulp produced using a mechanical process for fibre separation and processing. Has a higher level of bulk, stiffness and opacity than chemical pulp.
Chemical pulp	Pulp produced by cooking pulpwood together with chemicals. Has higher brightness and strength than mechanical pulp.	NBSK	Northern Bleached Softwood Kraft: bleached long-fibre sulphate pulp. The leading indicator of world market prices.
CTMP	Chemi-Thermo-Mechanical Pulp. Development of TMP, where the raw material is impregnated with chemicals. Stronger than TMP.	TMP	Thermo-Mechanical Pulp: mechanical pulp produced using a technique in which the chips are preheated with steam.
ECF	Elemental Chlorine Free, sulphate pulp bleached using chlorine dioxide only.	UKP	Unbleached Kraft Pulp: unbleached sulphate pulp.
Groundwood pulp (SGP)	Mechanical pulp made from roundwood.		

CONSOLIDATED PROFIT/LOSS ACCOUNTS (SEK MILLION)	Jul-Sep 2012	Jul-Sep 2011	Jan-Sep 2012	Jan-Sep 2011	Full year 2011
Net turnover	359	367	1,108	1,176	1,513
Change in inventories, finished goods	-53	18	-50	63	60
Other income	24	21	57	74	90
TOTAL INCOME	**330**	**406**	**1,115**	**1,313**	**1,663**
Raw materials and consumables	-202	-244	-680	-780	-1,001
Other costs	-103	-156	-255	-331	-450
Personnel costs	-40	-56	-135	-159	-209
Depreciation/amortisation and write-downs	-13	-81	-40	-117	-120
TOTAL OPERATING COSTS	**-358**	**-537**	**-1,110**	**-1,387**	**-1,780**
OPERATING INCOME	**-28**	**-131**	**5**	**-74**	**-117**
Financial income	3	-1	5	1	2
Financial expenses	-1	0	-4	-3	-5
Net financial items	**2**	**-1**	**1**	**-2**	**-3**
INCOME AFTER NET FINANCIAL ITEMS	**-26**	**-132**	**6**	**-76**	**-120**
Tax on income for the year	0	-4	-9	-20	-24
NET PROFIT/LOSS AFTER TAX	**-26**	**-136**	**-3**	**-96**	**-144**
Earnings after tax/share (SEK)[1]	-0.17	-0.89	-0.02	-0.63	-0.95

[1] Profit after tax per share, after dilution, is the same as the profit after tax per share.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (SEK MILLION)	Jul-Sep 2012	Jul-Sep 2011	Jan-Sep 2012	Jan-Sep 2011	Full year 2011
NET PROFIT/LOSS AFTER TAX	**-26**	**-136**	**-3**	**-96**	**-144**
Other comprehensive income					
Cash-flow hedging, income before tax	9	-15	12	-40	-54
Cash-flow hedging, tax effect	-2	4	-3	11	14
Exchange rate differences	-1	0	-1	1	1
Reclassification adjustment [3]	-	-	-	0	0
TOTAL OTHER COMPREHENSIVE INCOME	**6**	**-11**	**8**	**-28**	**-39**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-20**	**-147**	**5**	**-124**	**-183**
KEY INDICATORS THAT AFFECT TURNOVER					
Pulp price NBSK, USD [1]	786	992	821	985	960
SEK/USD [2]	6.75	6.48	6.82	6.41	6.50
Pulp price NBSK, SEK	5,308	6,425	5,598	6,310	6,229
Rottneros' deliveries, tonnes	85,000	74,300	252,100	238,700	311,400

[1] Source: PIX/Market Pulse.

[2] Source: Swedish central bank yearly average.

[3] Cumulative amount of exchange rate differences reclassified from equity to profit or loss according to IAS 21.

CONSOLIDATED BALANCE SHEET (SEK MILLION)	Sep 2012	Sep 2011	Dec 2011
Intangible fixed assets	4	2	3
Tangible fixed assets	762	671	760
Financial fixed assets	60	85	78
Total fixed assets	**826**	**758**	**841**
Inventories	222	277	276
Current receivables	255	254	209
Liquid funds	15	89	21
Total current assets	**492**	**620**	**506**
TOTAL ASSETS	**1,318**	**1,378**	**1,347**
Shareholders' equity	1,004	1,073	1,014
Longterm liabilities			
Interest-bearing	2	6	5
Non interest-bearing	18	8	11
Total longterm liabilities	**20**	**14**	**16**
Current liabilities			
Interest-bearing	48	5	42
Non interest-bearing	246	286	275
Total current liabilities	**294**	**291**	**317**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,318**	**1,378**	**1,347**

CASH-FLOW ANALYSIS (SEK MILLION)	Jan-Sep 2012	Jan-Sep 2011	Full year 2011
Operating income	5	-74	-117
Adjustment for non cash-flow items			
Depreciation/amortisation and write-downs	40	117	120
Profit/loss from disposal of fixed assets	0	-4	-4
Write-downs of receivables	0	72	72
Other non cash-flow items	-5	11	14
	40	**122**	**85**
Paid financial items	1	-2	0
Received/paid taxes	-2	-5	-1
Cash-flow from current operations before change in working capital	**39**	**115**	**84**
Change in working capital	10	-58	-49
Cash-flow from current operations	**49**	**57**	**35**
Acquisition of fixed assets	-44	-69	-157
Sale of fixed assets	1	4	4
Change in long-term receivables	-	-	5
Cash-flow from investing activities	**-43**	**-65**	**-148**
New loans	7	-	37
Repayment of loans	-4	-28	-28
Utbetald utdelning	-15	-30	-30
Cash-flow from financing activities	**-12**	**-58**	**-21**
Cash-flow for the year	**-6**	**-66**	**-134**
Liquid funds at beginning of year	21	155	155
Cash-flow for the year	-6	-66	-134
Translation difference in liquid funds	0	0	0
Liquid funds at end of year	15	89	21

SHARE DATA[1]

		Jan-Sep 2012	Jan-Sep 2011	2011	2010	2009	2008	2007
Shares, opening[2]	No.	152,572	152,572	152,572	1,525,719	180,212	180,212	180,212
Shares issued[2]	No.	-	-	-	0	1,345,507	-	-
No. of company's own shares bought back[2]	No.	-	-	-	-1,373,147	-	-	-
Shares closing[2]	No.	152,572	152,572	152,572	152,572	1,525,719	180,212	180,212
Average number of shares[2]	No.	152,572	152,572	152,572	152,572	26,884	18,021	18,021
Operating profit or loss/share[2,5]	SEK	0.04	-0.49	-0.77	0.90	-6.18	-16.95	-19.99
Earnings after net financial items/share[5]	SEK	0.04	-0.50	-0.79	0.90	-2.58	-21.33	-21.30
Earnings after tax/share[5]	SEK	-0.02	-0.63	-0.95	0.82	-2.59	-18.35	-16.69
Operating cash flow/share[3,5]	SEK	0.04	-0.05	-0.74	0.51	2.74	-13.34	-5.59
Equity/share[5]	SEK	6.58	7.03	6.65	8.05	7.14	44.96	58.29
Dividend[5]	SEK	-	-	0.10	0.20	-	-	-
Dividend/equity/share	%	-	-	1.5	2.5	-	-	-
Share price at end of period[5]	SEK	1.77	2.90	2.11	4.37	6.90	10.50	23.10
Share price/equity/share	Times	0.3	0.4	0.3	0.5	1.0	0.2	0.4
P/E ratio/share	Times	Neg	Neg	Neg	5.3	Neg	Neg	Neg
Direct yield[4]	%	-	-	4.7	4.6	-	-	-

[1] No key ratios were influenced by any dilution effect.
[2] The number of shares is stated in thousands, excluding treasury shares held by Rottneros.
[3] Cash-flow after normal investments but excluding strategic investments.
[4] Direct yield is calculated in relation to the closing listed price.
[5] There was a reverse share split in April 2010, where ten existing shares were combined into one share. The comparison periods have been adjusted for this reverse split.

KEY RATIOS EIGHT QUARTERS

	2012			2011				2010
	III	II	I	IV	III	II	I	IV
Net turnover, SEK m	359	378	371	337	367	409	400	402
Return on equity after full tax, %	Neg	Neg	Neg	Neg	Neg	8.5	10.4	10.8
Return on capital employed, %	Neg	Neg	Neg	Neg	Neg	11.0	11.9	11.6
Equity/assets ratio, %	76	74	75	75	78	83	83	82
Equity/share, SEK [1]	6.58	6.71	6.64	6.65	7.03	8.00	8.13	8.05
Earnings after tax/share, SEK [1]	-0.17	0.18	-0.03	-0.32	-0.89	0.17	0.09	0.06
Cash flow before investments/share, SEK	0.09	0.44	-0.21	-0.15	0.18	0.36	-0.16	0.26
Operating cash flow/share, SEK [1]	0.00	0.35	-0.32	-0.69	0.00	0.22	-0.27	-0.10
Operating margin, %	Neg	9.7	Neg	Neg	Neg	8.8	5.2	3.5

CHANGE IN SHAREHOLDERS' EQUITY (SEK MILLION)

	Jan-Sep 2012	Jan-Sep 2011	Full year 2011
Opening shareholders' equity	1,014	1,228	1,228
Total comprehensive income for the period	5	-124	-183
Dividend	-15	-31	-31
Closing shareholders' equity	**1,004**	**1,073**	**1,014**

QUARTERLY DATA (SEK MILLION)

	2012			2011				2010			
	III	II	I	IV	III	II	I	IV	III	II	I
Net turnover	359	378	371	337	367	409	400	402	413	462	407
Operating profit/loss before depreciation	**-15**	**50**	**10**	**-40**	**-50**	**54**	**39**	**35**	**88**	**61**	**40**
Depreciation/amortisation and write-downs	-13	-14	-13	-3	-81	-18	-18	-20	-20	-13	-33
Operating profit/loss	**-28**	**36**	**-3**	**-43**	**-131**	**36**	**21**	**15**	**68**	**48**	**7**
Net financial items	2	0	-1	-1	-1	1	-2	-2	-4	2	4
Profit/loss after financial items	**-26**	**36**	**-4**	**-44**	**-132**	**37**	**19**	**13**	**64**	**50**	**11**
Tax	0	-9	0	-4	-4	-11	-5	-5	-8	0	0
Profit/loss after tax	**-26**	**27**	**-4**	**-48**	**-136**	**26**	**14**	**8**	**56**	**50**	**11**
Pulp production, 1,000 tonnes	72.6	89.7	81.9	70.4	77.2	88,0	88.5	75,0	82.6	84.0	81.4
Pulp deliveries, 1,000 tonnes	85.0	82.4	84.7	72.7	74.3	81,0	83.4	80.4	75.8	86.8	87.3

PARENT COMPANY PROFIT/LOSS ACCOUNTS (SEK MILLION)

	Jul-Sep 2012	Jul-Sep 2011	Jan-Sep 2012	Jan-Sep 2011	Full year 2011
Net turnover	1	2	4	24	27
Other income	13	-2	15	17	12
TOTAL INCOME	**14**	**0**	**19**	**41**	**39**
Raw materials and consumables	-	-	-	-8	-8
Other costs	-11	-82	-30	-98	-114
Personnel costs	-4	-5	-13	-20	-24
Depreciation	0	0	0	0	0
TOTAL OPERATING COSTS	**-15**	**-87**	**-43**	**-126**	**-146**
OPERATING INCOME	**-1**	**-87**	**-24**	**-85**	**-107**
Profit from participations in group companies	1	-	1	-	16
Financial income, other	1	0	3	2	3
Financial expenses, other	0	0	-2	-1	-2
Net financial items	**2**	**0**	**2**	**1**	**17**
INCOME AFTER NET FINANCIAL ITEMS	**1**	**-87**	**-22**	**-84**	**-90**
Tax on income for the year	-	0	-	0	-1
NET PROFIT/LOSS AFTER TAX	**1**	**-87**	**-22**	**-84**	**-91**

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME (SEK MILLION)

	Jul-Sep 2012	Jul-Sep 2011	Jan-Sep 2012	Jan-Sep 2011	Full year 2011
NET PROFIT/LOSS AFTER TAX	**1**	**-87**	**-22**	**-84**	**-91**
Other comprehensive income					
TOTAL OTHER COMPREHENSIVE INCOME	**-**	**-**	**-**	**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1**	**-87**	**-22**	**-84**	**-91**

PARENT COMPANY BALANCE SHEET (SEK MILLION)

	Sep 2012	Sep 2011	Dec 2011
Intangible fixed assets	3	1	2
Tangible fixed assets	1	1	1
Financial fixed assets	299	319	318
Total fixed assets	**303**	**321**	**321**
Current receivables	687	681	780
Liquid funds	2	6	8
Total current assets	**689**	**687**	**788**
TOTAL ASSETS	**992**	**1,008**	**1,109**
Shareholders' equity	936	980	973
Current liabilities			
Interest-bearing	44	-	37
Non interest-bearing	12	28	99
Total current liabilities	**56**	**28**	**136**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**992**	**1,008**	**1,109**

SIX YEAR REVIEW

	Jan-Sep 2012	Jan-Sep 2011	2011	2010	2009	2008	2007
KEY INDICATORS THAT AFFECT TURNOVER							
Pulp price NBSK, USD [1]	821	985	960	930	657	852	794
SEK/USD [2]	6.82	6.41	6.50	7.21	7.65	6.58	6.76
Pulp price NBSK, SEK	5,598	6,310	6,229	6,705	4,989	5,617	5,368
Rottneros' deliveries, tonnes	252,100	238,700	311,400	330,300	376,700	617,900	714,700
Turnover and income, SEK million							
Net turnover	1,108	1,176	1,513	1,684	1,508	2,663	2,927
Profit/loss before depreciation	45	43	4	224	-62	-82	75
Depreciation	-40	-117	-120	-86	-104	-224	-435
Operating profit/loss after depreciation	5	-74	-117	138	-166	-306	-360
Net financial items	1	-2	-3	0	97	-79	-24
Profit/loss after net financial items	6	-76	-120	138	-69	-385	-384
Profit/loss after tax	-3	-96	-144	125	-69	-331	-301
Balance sheet items, SEK million							
Fixed assets	826	758	841	867	849	1,149	1,123
Inventories	222	277	276	213	215	447	493
Current receivables	255	254	209	259	230	391	572
Liquid funds	15	89	21	155	111	45	121
Shareholders' equity	1,004	1,073	1,014	1,228	1,089	810	1,050
Long-term interest-bearing liabilities	2	6	5	10	57	692	173
Long-term non interest-bearing liabilities	18	8	11	0	1	14	49
Current interest-bearing liabilities	48	5	42	29	44	82	452
Current non interest-bearing liabilities	246	286	275	227	214	434	585
Balance sheet total	**1,318**	**1,378**	**1,347**	**1,494**	**1,405**	**2,032**	**2,309**
Finaical ratios							
Operating margin, %	0.5	-6.3	-7.8	8.2	-11.0	-11.5	-12.3
Profit margin, %	0.6	-6.4	-8.0	8.2	-4.6	-14.4	-13.1
Return on capital employed, %	Neg	Neg	Neg	11,6	Neg	Neg	Neg
Return on equity after full tax, %	Neg	Neg	Neg	10,8	Neg	Neg	Neg
Equity/assets ratio, %	76	78	75	82	78	40	45
Debt/equity ratio, Times	0.0	-0.1	0.0	-0.1	0.1	1.0	0.6
Interest cover, Times	2.8	Neg	Neg	26.2	Neg	Neg	Neg
Other							
Capital expenditure, SEK m	44	69	157	125	10	191	163
Average no. of employees	278	302	298	308	387	667	718

[1] Source: FOEX NBSK PIX.

[2] Source: Swedish central bank yearly average.

ROTTNEROS IN BRIEF

Rottneros has been a supplier of customised and high quality paper pulp since the 1600s.

Around 300 people are employed at Rottneros, which had a turnover of SEK 1.5 billion in 2011.

Rottneros produces market pulp; i.e. paper pulp sold on the open market in contrast to pulp that is produced at mills with integrated paper production.

The Rottneros Group has an annual production capacity of just under 400,000 tonnes of pulp at its two mills in Rottneros and Vallvik.

Vallvik Mill produces two grades of long-fibre sulphate pulp: fully bleached sulphate pulp (ECF – Elemental Chlorine Free) and unbleached sulphate pulp (UKP – Unbleached Kraft Pulp).

Rottneros Mill manufactures CTMP and groundwood pulp, which are mechanical grades of pulp.

Business concept

Rottneros' business concept is to be an independent and flexible supplier of high-quality, customised pulp. Rottneros adapts its product range to meet the needs and high expectations of customers by continuously developing its products and providing a high level of supply reliability, technical support and service.

Business model

Rottneros operates in the market for market pulp and is a global supplier of bleached and unbleached long-fibre chemical pulp, together with mechanical CTMP and groundwood pulp.

Pulp is produced at two Swedish pulp mills. Vallvik Mill produces long-fibre chemical bleached sulphate pulp and long-fibre chemical unbleached pulp. Rottneros Mill manufactures mechanical CTMP pulp and groundwood pulp. The mills are independent profit centres and have their own sales organisations.

Adding value

Rottneros adds value by focusing on segments where the Group's production focus and applications have achieved, or can achieve, a strong position in the market for market pulp. Examples of this include pulp for electrical applications presenting high purity requirements, filters where air permeability is crucial, food packaging where the most important factor is its stiffness, and pulp for thin printing paper with high requirements for opacity where Rottneros is an important supplier.

An essential part of adding value is the effective and rational management of the input goods required for pulp production. Rottneros primarily uses three input goods:

- Timber, which accounts for approx. 38 per cent of our costs.
- Electricity, which accounts for approx. eight per cent of our costs.
- Chemicals, which accounts for around seven per cent of our costs.

In order to achieve security and stability, Rottneros is looking for long-term relationships and contracts with the suppliers of these goods.

Operative objectives and strategies

Rottneros has a number of overall objectives for its operational activities, which are intended to result in a competitive return for shareholders over a business cycle by creating value and yielding dividends. In order to achieve this objective, the Group needs to create added value for its customers as well as be an attractive employer and competitive producer.

One of our objectives is growth. In order to create a favourable environment for achieving this goal, Rottneros works according to two main strategies:

- Rottneros is looking for development opportunities to strengthen the existing pulp operation through strategic alliances in Sweden and abroad. The Group is also planning to further increase capacity at Vallvik Mill.

- Rottneros is preparing for a possible entry into related activities, where the Group's knowledge of pulp refining is utilised and represents a precondition, and where there are clear synergy effects. One step in this development is that the Group is running projects in cooperation with industrial and financial partners aimed at leading to the production of high-refined biofuel at both mills.

Another objective is for Rottneros to gradually lay the foundation for less volatile movements in the share price over the course of a business cycle by focusing increasingly on more specialised grades of pulp.

Rottneros, a company that was originally established in the 1600s, is an independent and flexible supplier of customised paper pulp of high quality. Rottneros has been able to adapt in order to meet high customer expectations by continually developing its products and maintaining high levels of delivery reliability, technical support and service.

Rottneros has an annual production capacity of almost 400,000 tonnes of pulp at two mills in Sweden. Increasingly intensive product development in line with the requirements of customers will result in profitability that is higher and more stable throughout the business cycle.

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