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ARCTIC PAPER S.A. CAPITAL GROUP  
Consolidated quarterly report  
for the first quarter of the year 2015

**TRANSLATORS' EXPLANATORY NOTE**

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



**ARCTIC PAPER**

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## Introduction

### Information on report

The hereby Consolidated Quarterly Report for the first quarter of 2015 was prepared in accordance with the Minister of Finance Regulation of 19th February 2009 concerning current and periodical information submitted by issuers of securities and terms and conditions of classifying as equivalent information required by the law of a non-member state (Journal of Laws of 2009 no. 33, item 259, as amended) and the part of condensed consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), in particular in accordance with International Accounting Standard no 34 and IFRS approved by the EU. IFRS comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International

Financial Reporting Interpretations Committee ("IFRIC"). Condensed consolidated financial statements do not comprise all information and disclosures required in the annual consolidated financial statements which are subject to obligatory audit and therefore they should be read in conjunction with the consolidated financial statements of the Group for the year ended 31st December 2014.

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

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

### Definitions and abbreviations

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

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

Arctic Paper, Company, Issuer, Parent Company, AP	Arctic Paper Spółka Akcyjna seated in Poznań, Poland
Capital Group, Group, Arctic Paper Group, AP Group	Capital Group comprised of Arctic Paper Spółka Akcyjna and its subsidiaries as well as joint enterprises
Arctic Paper Kostrzyn, AP Kostrzyn, APK	Arctic Paper Kostrzyn Spółka Akcyjna seated in Kostrzyn nad Odrą, Poland
Arctic Paper Munkedals, AP Munkedals, APM	Arctic Paper Munkedals AB seated in Munkedal Municipality, Västra Götaland County, Sweden
Arctic Paper Mochenwangen, AP Mochenwangen, APMW	Arctic Paper Mochenwangen GmbH seated in Mochenwangen, Germany
Arctic Paper Grycksbo, AP Grycksbo, APG Paper Mills	Arctic Paper Grycksbo AB seated in Kungsvagen, Grycksbo, Sweden Arctic Paper Kostrzyn, Arctic Paper Munkedals, Arctic Paper Mochenwangen, Arctic Paper Grycksbo
Arctic Paper Investment	Arctic Paper Investment GmbH seated in Wolpertswende, Germany
Arctic Paper Verwaltungs	Arctic Paper Verwaltungs GmbH seated in Wolpertswende, Germany
Arctic Paper Immobilienverwaltungs	Arctic Paper Immobilienverwaltungs GmbH & Co. KG seated in Ulm, Germany
Kostrzyn Group	Arctic Paper Kostrzyn Spółka Akcyjna seated in Kostrzyn nad Odrą and EC Kostrzyn Sp. z o.o. seated in Kostrzyn nad Odrą

Mochenwangen Group	Arctic Paper Investment GmbH, Arctic Paper Mochenwangen GmbH, Arctic Paper Verwaltungs GmbH, Arctic Paper Immobilienverwaltungs GmbH & Co.KG
Grycksbo Group	From 8th August 2014: Arctic Paper Grycksbo AB, before: Arctic Paper Grycksbo AB and Grycksbo Paper Holding AB,
Distribution Companies	Arctic Paper Sverige AB, Arctic Paper Danmark A/S and Arctic Paper Norge AS
Sales Offices	Arctic Paper Papierhandels GmbH seated in Vienna (Austria); Arctic Paper Benelux SA seated in Oud-Haverlee (Belgium); Arctic Paper Danmark A/S seated in Vallensbaek (Denmark); Arctic Paper France SA seated in Paris (France); Arctic Paper Deutschland GmbH seated in Hamburg (Germany); Arctic Paper Ireland Ltd seated in Dublin (Ireland); Arctic Paper Italia Srl seated in Milan (Italy); Arctic Paper Baltic States SIA seated in Riga (Latvia); Arctic Paper Norge AS seated in Trollåsen (Norway); Arctic Paper Polska Sp. z o.o. seated in Warsaw (Poland); Arctic Paper España SL seated in Barcelona (Spain); Arctic Paper Sverige AB seated in Uddevalla (Sweden); Arctic Paper Schweiz AG seated in Zurich (Switzerland); Arctic Paper UK Ltd seated in Caterham (UK); Arctic Paper East Sp. z o.o. seated in Kostrzyn nad Odrą (Poland).
Rottneros, Rottneros AB	Rottneros AB seated in Stockholm, Sweden
Rottneros Group, Rottneros AB Group	Rottneros AB seated in Vallvik, Sweden; Rottneros Bruk AB seated in Sunne, Sweden; Utansjo Bruk AB seated in Sweden, Vallviks Bruk AB seated in Vallvik, Sweden; Rottneros Packaging AB seated in Sweden; SIA Rottneros Baltic seated in Latvia
Pulp mills	Rottneros Bruk AB seated in Sunne, Sweden; Vallviks Bruk AB seated in Vallvik, Sweden
Rottneros Purchasing Office	SIA Rottneros Baltic seated in Latvia
Kalltorp	Kalltorp Kraft Handelsbolaget seated in Trollhattan, Sweden
Trebruk AB	Trebruk AB (formerly Arctic Paper AB) seated in Göteborg Municipality, Västra Götaland County, Sweden
Nemus Holding AB	Nemus Holding AB seated in Göteborg Municipality, Västra Götaland County, Sweden
Management Board, Issuer's Management Board, Company's Management Board, Group's Management Board	Management Board of Arctic Paper S.A.
Supervisory Board, Issuer's Supervisory Board, Company's Supervisory Board, Group's Supervisory Board, SB	Supervisory Board of Arctic Paper S.A.
SM, Shareholders Meeting, Issuer's Shareholders Meeting, Company's Shareholders Meeting	Shareholders Meeting of Arctic Paper S.A.
ESM, Extraordinary Shareholders Meeting, Issuer's Extraordinary Shareholders Meeting, Company's Extraordinary Shareholders Meeting	Extraordinary Shareholders Meeting of Arctic Paper S.A.
Articles of Association, Issuer's Articles of Association, Company's Articles of Association	Articles of Association of Arctic Paper S.A.

SEZ	Kostryńsko-Słubicka Special Economic Zone
Court of Registration	District Court Poznań-Nowe Miasto i Wilda in Poznań
Warsaw Stock Exchange, WSE	Giełda Papierów Wartościowych w Warszawie Spółka Akcyjna
KDPW, Depository	Krajowy Depozyt Papierów Wartościowych Spółka Akcyjna seated in Warsaw
KNF	Komisja Nadzoru Finansowego (Financial Supervision Authority)
SFSA	Swedish Financial Supervisory Authority
NASDAQ in Stockholm, Nasdaq	Stock Exchange in Stockholm, Sweden
CEPI	Confederation of European Paper Industries
EURO-GRAPH	The European Association of Graphic Paper Producers
Eurostat	European Statistical Office
GUS	Polish Central Statistical Office
NBSK	Northern Bleached Softwood Kraft
BHKP	Bleached Hardwood Kraft Pulp

#### Definitions of selected terms and financial indicators and abbreviations of currencies

Sales profit margin	Ratio of sales profit (loss) to sales income
EBIT	Profit on operating activity (Earnings Before Interest and Taxes)
EBIT profitability, operating profitability, operating profit margin	Ratio of operating profit (loss) to sales income
EBITDA	Operating profit plus depreciation and amortization and impairment charges (Earnings Before Interest, Taxes, Depreciation and Amortization)
EBITDA profitability, EBITDA margin	Ratio of operating profit plus depreciation and amortization and impairment charges to sales income
Gross profit margin	Ratio of gross profit (loss) to sales income
Sales profitability ratio, net profit margin	Ratio of net profit (loss) to sales income
Return on equity, ROE	Ratio of net profit (loss) to equity
Return on assets, ROA	Ratio of net profit (loss) to total assets
EPS	Earnings Per Share, ratio of net profit to the number of shares
BVPS	Book Value Per Share, ratio of book value of equity to the number of shares
Debt-to-equity ratio	Ratio of total liabilities to equity
Equity-to-non-current assets ratio	Ratio of equity to non-current assets
Interest-bearing debt-to-equity ratio	Ratio of interest-bearing debt and other financial liabilities to equity
Net debt-to-EBITDA ratio	Ratio of interest-bearing debt minus cash to EBITDA
Solidity ratio	Ratio of equity (calculated in compliance with Swedish Gaap accounting principles) to value of assets
Interest coverage	Ratio of interest value (less of financial lease interest) to EBITDA (calculated in compliance with Swedish Gaap accounting principles)
EBITDA-to-interest coverage ratio	Ratio of EBITDA to interest cost
Current ratio	Ratio of current assets to current liabilities

Quick ratio	Ratio of current assets minus inventory and short-term prepayments and deferred costs to current liabilities
Acid test ratio	Ratio of total cash assets and other cash assets to current liabilities
Days inventory outstanding, DSI, DIO	Days Sales of Inventory or Days Inventory Outstanding, ratio of inventory to cost of sales multiplied by the number of days in the period
Days sales outstanding, DSO	Days Sales Outstanding, ratio of trade receivables to sales income multiplied by the number of days in the period
Days payable outstanding, DPO	Days Payable Outstanding, ratio of trade payables to cost of sales multiplied by the number of days in the period
Operating cycle	DSI + DSO
Cash conversion cycle	Operating cycle – DPO
FY	Financial year
1Q	1st quarter of the financial year
2Q	2nd quarter of the financial year
3Q	3rd quarter of the financial year
4Q	4th quarter of the financial year
1H	First half of the financial year
2H	Second half of the financial year
YTD	Year-to-date
Like-for-like, LFL	Analogous, with respect to operating result – in the meaning of this report excluding the effect of the purchase of Arctic Paper Grycksbo in March 2010
p.p.	Percentage point – difference between two amounts of one item given in percentage
PLN, zł, złoty	Monetary unit of the Republic of Poland
gr	grosz – 1/100 of one zloty (the monetary unit of the Republic of Poland)
Euro, EUR	Monetary unit of the European Union
GBP	Pound sterling – monetary unit of the Great Britain
SEK	Swedish Krona - Monetary unit of the Kingdom of Sweden
USD	United States dollar, the currency being legal tender in the United States of America
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
GDP	Gross Domestic Product

#### Other definitions and abbreviations

Series A Shares	50,000 Arctic Paper S.A. Series A Shares with a par value of 1 PLN each
Series B Shares	44,253,500 Arctic Paper S.A. Series B Shares with a par value of 1 PLN each
Series C Shares	8,100,000 Arctic Paper S.A. Series C Shares with a par value of 1 PLN each
Series E Shares	3,000,000 Arctic Paper S.A. Series E Shares with a par value of 1 PLN each
Series F Shares	13,884,283 Arctic Paper S.A. Series F shares with a par value of 1 PLN each

Shares, Issuer's Shares

Series A, Series B, Series C, Series E, and Series F Shares jointly

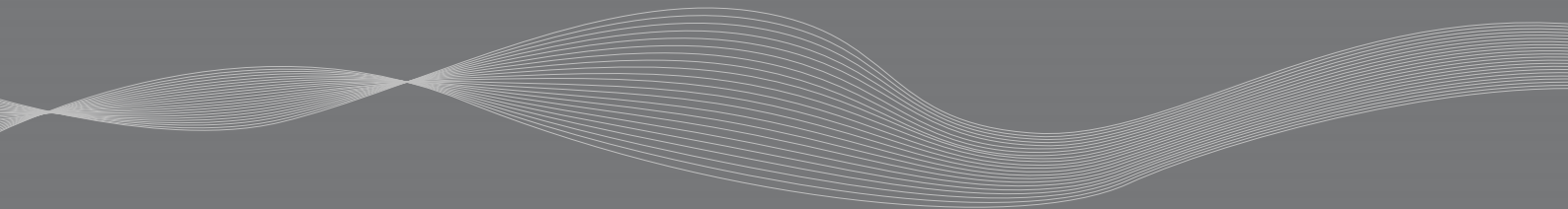
## Forward looking statements

The information contained in the hereby report which does not relate to historical facts relates to forward looking statements. Such statements may, in particular, concern the Group's strategy, business development, market projections, planned investment outlays, and future revenues. Such statements may be identified by the use of expressions pertaining to the future such as, e.g., "believe", "think", "expect", "may", "will", "should", "is expected", "is assumed", and any negations and grammatical forms of these expressions or similar terms. The statements contained in the hereby report concerning matters which are not historical facts should be treated only as projections subject to risk and uncertainty. Forward-looking statements are inevitably based on certain estimates and assumptions which, although our management finds them rational, are naturally subject to known and unknown risks and

uncertainties and other factors that could cause the actual results to differ materially from the historical results or the projections. For this reason, we cannot assure that any of the events provided for in the forward-looking statements will occur or, if they occurred, about their impact on the Group's operating activity or financial situation. When evaluating the information presented in this report, one should not rely on such forward-looking statements, which are stated only on the date they are expressed. Insofar as the legal regulations do not contain detailed requirements in this respect, the Group shall not be obliged to update or verify those forward-looking statements in order to provide for new developments or circumstances. Furthermore, the Group is not obliged to verify or to confirm the analysts' expectations or estimates, except for those required by law.



Management's Board report on the operations of  
Arctic Paper S.A. Capital Group  
to the report for the first quarter of the year 2015





## Arctic Paper Group profile

### General information

The Arctic Paper Group is the second-largest European producer of bulky book paper in terms of production volume, offering the largest product assortment in this segment, and one of Europe's leading producers of fine graphic paper. The Group produces numerous types of uncoated and coated wood-free paper, as well as wood-containing uncoated paper for printing houses, paper distributors, book and magazine publishing houses and the advertising industry. In connection with acquisition of Rottneros Group in December 2012, our assortment was broadened with production of pulp. As on the day of publishing of this report, the Arctic Paper Group employs app. 1,800 people in four paper mills, two pulp mills, fifteen companies dealing in paper distribution and sales, and a company dealing in timber procurement for pulp production. The Group's paper mills are located in Poland, Sweden and Germany and have total production capacity of more than

800,000 metric tons of paper per year. The pulp mills are located in Sweden and have total production capacity of 400,000 tons per year. The Group has three Distribution Companies which handle sales, distribution and marketing of products offered by the Group in Scandinavia and twelve Sales Offices providing access to all European markets, including Central and Eastern Europe. The Group's consolidated sales revenue for the first quarter of 2015 totaled PLN 836 million.

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

### Group Profile

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

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

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

### Our production units

As on 31st March 2015, as well as on the day of publishing of the hereby report, the Group has owned the following paper mills:

- the paper mill in Kostrzyn nad Odrą (Poland) has the production capacity of about 275,000 metric tons per year and mainly produces uncoated wood-free paper for general printing use such as printing books, brochures and forms, and for producing envelopes and other paper products;

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

As on 31st March 2015, as well as on the day of publishing of the hereby report, the Group has owned the following pulp mills:

- the pulp mill in Rottneros (Sweden) has the annual production capacity of app. 150,000 tons and mainly produces two types of fibrous mechanical pulp: groundwood and CTMP;
- the pulp mill in Vallvik (Sweden) has the annual production capacity of app. 250,000 tons and produces two types of long-fiber sulphate pulp: fully bleached sulphate pulp and unbleached sulphate pulp. The most of Vallvik pulp mill production is known as NBSK pulp. The unbleached sulphate pulp produced by the mill is characteristic of high levels of purity. The high quality of this pulp, which has been achieved over the years, made Vallvik the global leader in deliveries of this type of pulp, which is used, among other, in production of power transformers and cable industry.

## Our products

The assortment of products of Arctic Paper Group has not changed in 2015 and includes:

- Uncoated wood-free paper;
- Coated wood-free paper;
- Uncoated wood-containing paper;
- Sulphate pulp;
- Fibrous mechanical pulp.

A detailed description of the Group's assortment is included in the consolidated annual report for 2014.

## Capital Group structure

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

producing packaging as well as Distribution Companies, Sales Offices and a Purchasing Office.

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

## Changes in the capital structure of the Arctic Paper Group

In the first quarter of 2015, no changes in capital structure of Arctic Paper Group occurred.

## Shareholding structure

Nemus Holding AB, a company under Swedish law, is the majority shareholder of Arctic Paper S.A., holding (as on 31st March 2015) 41,356,449 shares of the Company, which constitute 59.69% of its share capital and representing 59.69% of total number of votes in the Shareholders Meeting.

Thus Nemus Holding AB is the parent entity of the Issuer. Moreover, Mr. Thomas Onstad, an indirect shareholder of Nemus Holding AB, holds 5,848,658 Shares constituting 8.44% of total number of the Company's shares.

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

Shareholder	as at 13.05.2015				as at 23.03.2015			
	Number of shares	Share capital [%]	Number of votes	Of total number of votes [%]	Number of shares	Share capital [%]	Number of votes	Of total number of votes [%]
Nemus Holding AB	41 356 449	59,69%	41 356 449	59,69%	41 356 449	59,69%	41 356 449	59,69%
Thomas Onstad	5 848 658	8,44%	5 848 658	8,44%	5 848 658	8,44%	5 848 658	8,44%
Others	22 082 676	31,87%	22 082 676	31,87%	22 082 676	31,87%	22 082 676	31,87%
<b>Total</b>	<b>69 287 783</b>	<b>100,00%</b>	<b>69 287 783</b>	<b>100,00%</b>	<b>69 287 783</b>	<b>100,00%</b>	<b>69 287 783</b>	<b>100,00%</b>
Treasury shares	-	0,00%	-	0,00%	-	0,00%	-	0,00%
<b>Total</b>	<b>69 287 783</b>	<b>100,00%</b>	<b>69 287 783</b>	<b>100,00%</b>	<b>69 287 783</b>	<b>100,00%</b>	<b>69 287 783</b>	<b>100,00%</b>

Data in the above table is given as on the date of publishing of the hereby report and as on the date of publishing of the annual report for 2014.

## Summary of consolidated financial results

### Consolidated income statement

#### Selected items of the consolidated income statement

PLN thousand	1Q	4Q	1Q	YTD 1Q	YTD 1Q	Change %	Change %	Change %
	2015	2014	2014	2015	2014	1Q'2015/ 4Q'2014	1Q'2015/ 1Q'2014	YTD1Q'2015/ YTD1Q'2014
<b>Revenues</b>	<b>836 240</b>	<b>755 770</b>	<b>804 492</b>	<b>836 240</b>	<b>804 492</b>	<b>10,6</b>	<b>3,9</b>	<b>3,9</b>
<i>including:</i>								
<i>Sales of paper</i>	643 870	589 318	626 216	643 870	626 216	9,3	2,8	2,8
<i>Sales of pulp</i>	192 370	166 452	178 276	192 370	178 276	15,6	7,9	7,9
Gross profit on sales	125 855	93 902	103 645	125 855	103 645	34,0	21,4	21,4
<i>Sales revenue %</i>	15,05	12,42	12,88	15,05	12,88	2,6 p.p.	2,2 p.p.	2,2 p.p.
Selling expenses	(88 800)	(71 576)	(74 181)	(88 800)	(74 181)	24,1	19,7	19,7
Administrative expenses	(17 602)	(22 408)	(20 057)	(17 602)	(20 057)	(21,4)	(12,2)	(12,2)
Other operating income	28 049	32 282	16 649	28 049	16 649	(13,1)	68,5	68,5
Other operating cost	(9 892)	(12 832)	(6 731)	(9 892)	(6 731)	(22,9)	46,9	46,9
<b>EBIT</b>	<b>37 611</b>	<b>19 367</b>	<b>19 325</b>	<b>37 611</b>	<b>19 325</b>	<b>94,2</b>	<b>94,6</b>	<b>94,6</b>
<i>Sales revenue %</i>	4,50	2,56	2,40	4,50	2,40	1,9 p.p.	2,1 p.p.	2,1 p.p.
<b>EBITDA</b>	<b>68 815</b>	<b>54 778</b>	<b>48 389</b>	<b>68 815</b>	<b>48 389</b>	<b>25,6</b>	<b>42,2</b>	<b>42,2</b>
<i>Sales revenue %</i>	8,23	7,25	6,01	8,23	6,01	1,0 p.p.	2,2 p.p.	2,2 p.p.
Financial income	209	(32)	696	209	696	(758,4)	(70,0)	(70,0)
Financial cost	(14 028)	(11 834)	(8 553)	(14 028)	(8 553)	18,5	64,0	64,0
<b>EBT</b>	<b>23 792</b>	<b>7 501</b>	<b>11 468</b>	<b>23 792</b>	<b>11 468</b>	<b>217,2</b>	<b>107,5</b>	<b>107,5</b>
Corporate income tax	(10 946)	13 909	(2 560)	(10 946)	(2 560)	(178,7)	327,6	327,6
<b>Net profit/ (loss)</b>	<b>12 846</b>	<b>21 410</b>	<b>8 908</b>	<b>12 846</b>	<b>8 908</b>	<b>(40,0)</b>	<b>44,2</b>	<b>44,2</b>
<i>Sales revenue %</i>	1,54	2,83	1,11	1,54	1,11	(1,3) p.p.	0,4 p.p.	0,4 p.p.
Net profit/ (loss) for the period attributable to equity holders of the parent	(3 652)	10 774	5 702	(3 652)	10 774	na	na	na

### Commentary of the President of the Management Board Wolfgang Lübbert to the results of the first quarter of 2015

In the 1st quarter of 2015 the Arctic Paper Group generated good financial results compared to those from a year before. EBITDA was PLN 68.8m (growth of 42.2% year-on-year), operating profit was over PLN 37.6m (up 94.6%), and net profit was PLN 12.8m (growth by 44.2%, as compared to 1Q 2014). Sales revenues in 1Q 2015 reached PLN 836.2m, as compared to PLN 804.5m in 1Q 2014 (up 3.9%).

The operations of Rottneros, which achieved excellent results, had a positive impact on the financial results of the Group in the 1st quarter of 2015.

Arctic Paper Group excluding Rottneros generated, in the 1st quarter of 2015, sales revenues of PLN 643.9m, about 4.4% higher than in 1Q 2014. At the same period the company

posted EBITDA of PLN 16.8m (a decline of 47.4%), an operating loss of PLN 6.5m (compared to a profit of PLN 10.6m in 1Q 2014), and a net loss of PLN 21m (as against a profit one year earlier of PLN 2.3m). The results of Arctic Paper Group in the 1st quarter of 2015 were impacted by creation of a provision in the amount of PLN 15.3m. This was dictated by the anticipated non-payment of trade receivables to Arctic Paper's mills by PaperlinX UK companies, which were placed into voluntary administration. The Group's results in paper segment were also affected by an increase in the costs for purchasing pulp in PLN by 12.8% year-on-year (8.4% from 4Q 2014). This was mainly related to the unfavourable euro to US dollar exchange rates (down 17.9% from 1Q 2014 and 10.0% from 4Q 2014).

The market complexity and turbulence increases, not least due to a strong US dollar during the quarter. We are fully aware that there will be more challenges in the market and therefore we are constantly implementing measures to protect and enhance our positive gains since 2013. Our involvement with PaperlinX UK and the need to create a provision for receivables influenced the 1st quarter financial results, affecting our focused work on achieving stable finances.

As of the end of the 1st quarter of 2015, the average prices of high-quality paper in Europe were slightly higher than at the end of 1Q 2014 – up 0.6% for uncoated wood-free paper,

## Revenue

In the first quarter of 2015, consolidated sales revenue amounted to PLN 836,240 thousand compared to PLN 804,492 thousand in the same period of the previous year, which represents an increase by PLN 31,748 thousand and accordingly by 3.9%.

In the first quarter of 2015, paper sales revenue amounted to PLN 643,870 thousand (first quarter of 2014: PLN 626,216 thousand), while pulp sales revenue amounted to PLN 192,370 thousand (first quarter of 2014: PLN 178,276 thousand)

Paper sales volume in the first quarter of 2015 amounted to 202 thousand tons compared to 197 thousand tons in the same period of the previous year. The change represents an increase of 5 thousand tons and respectively 2.5%.

while prices for coated wood-free paper fell by 1.2% year-on-year (all data based on RISI).

In 1Q 2015 Arctic Paper Group increased the volume of paper sold by 2.6% in comparison to the same period of the prior year. This resulted in strengthening of the Group's market position, as the deliveries of high-quality paper on the European market in 1Q 2015 were lower than in 1Q 2014. In the segment of uncoated wood-free paper deliveries were down 4.3% and in the coated wood-free segment were down 4.1% (all market data based on EuroGraph). The use of the production capacity of the Arctic Paper Group during the period was 95%.

Compared to 1Q 2014, the average price of short-fibre pulp (BHKP) expressed in US dollar was down 2.4% (this is the main raw material used by Arctic Paper). The price of long-fibre pulp (NBSK), which is produced by Rottneros, declined slightly in 1Q 2015 (in US dollar), down 1.1% year-on-year (data from FOEX).

The first quarter was already influenced to some extent by the troublesome external market conditions. During the period we increased our work on further improving our effectiveness and market alertness. The vigilance and determination we have shown over the last year and a half will need to continue and to be further increased.

Pulp sales volume in the first quarter of 2015 amounted to 91 thousand tons compared to 87 thousand tons in the same period of the previous year. The change represents an increase of 4 thousand tons and respectively 4.6%.

Higher sales revenue in the first quarter of 2015, compared to the fourth quarter of 2014, results both from higher paper and pulp sales volume as well as higher sales price of paper and pulp expressed in PLN. Paper sales revenue in the last quarter of 2014 amounted to PLN 589,318 thousand (sales volume of 186 thousand tons) while pulp sales revenue amounted to PLN 166,452 thousand (sales volume of 78 thousand tons).

## Profit on sales, selling and administrative expenses

Profit on sales in the first quarter of 2015 amounted to PLN 125,855 thousand and was 21.4% higher compared to the same period of the previous year and 34.0% higher compared to the fourth quarter of 2014. Sales profit margin in the current quarter stood at 15.05% compared to 12.88% (+2.2 p.p.) in the same period of the previous year and 12.42% (+2.6%) in the fourth quarter of 2014. The main reason for the increase of sales profit margin in the first quarter of 2015 was relatively high sales profit margin achieved by Pulp Mills on sales of pulp, mainly due to appreciation of USD, in which pulp prices are quoted. The appreciation of USD towards EUR as seen in 2015 caused a decrease of sales profit margin on sales of paper from our Paper Mills. Eventually, the decrease of sales profit margin on sales of paper was smaller than the increase of sales profit margin on sales of pulp.

In the first quarter of 2015, selling expenses amounted to PLN 88,800 thousand, which represents an increase by 19.7%

## Other operating income and cost

Other operating income in the first quarter of 2015 amounted to PLN 28,049 thousand, which means an increase compared to the same period of the previous year by PLN 11,400 thousand and a decrease by PLN 4,233 thousand compared to the last quarter of 2014.

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

## Financial income and financial cost

Financial income in the first quarter of 2015 amounted to PLN 209 thousand and was PLN 487 thousand lower than in the first quarter of 2014 and PLN 241 thousand higher compared to financial income for the fourth quarter of 2014.

Financial cost in the first quarter of 2015 amounted to PLN 14,028 thousand compared to PLN 8,553 thousand incurred in the first quarter of 2014 and PLN 11,834 thousand in the last quarter of 2014.

compared to the costs incurred in the first quarter of 2014 and and by 24.1% compared to the fourth quarter of 2014. Selling expenses comprise particularly transportation cost. Moreover, in the first quarter of 2015 the Group created a write-off in the amount of PLN 15.3 million for the receivables from the companies of PaperlinX Limited group, in connection with commencement of restructuring procedure in these companies.

In the first quarter of 2015, administrative expenses amounted to PLN 17,602 thousand compared to PLN 20,057 thousand in the analogous period of 2014 and PLN 22,408 thousand in the last quarter of 2014. The main reason of the decrease was lower cost related to consulting services rendered to the Group by third parties.

In the first quarter of 2015, other operating cost amounted to PLN 9,892 thousand compared to PLN 6,731 thousand in the first quarter of 2014 and PLN 12,832 thousand in the fourth quarter of 2014.

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

Exchange differences are presented net, i.e. the excess of positive exchange differences over negative exchange differences is presented as financial income and the excess of negative exchange differences over positive exchange differences is presented as financial cost. Relatively high negative exchange differences in the first quarter of 2015 caused the increase of financial cost in this period, compared to the first and the fourth quarter of 2014.

## Income tax

Income tax in the first quarter of 2015 amounted to PLN -10,946 thousand, while in the analogous period of 2014 it amounted to PLN -2,560 thousand and PLN +13,909 thousand in the fourth quarter of 2014.

Current income tax in the analyzed period amounted to PLN -11,108 thousand while the deferred part amounted to PLN

+162 thousand. In the first quarter of the previous year it was respectively PLN -64 thousand and PLN -2,496 thousand. In the last quarter of the previous year it was respectively PLN +7,986 thousand and PLN +5,923 thousand.

## Net profit/loss and net profit/loss attributable to shareholders of the Parent Entity

In the first quarter of 2015, the Group achieved net profit in the amount of PLN 12,846 thousand. A portion of net profit attributable to shareholders of Arctic Paper S.A. is a net loss of PLN 3,652 thousand. Net profit of the Group results mainly from net profit achieved by Rottneros Group in the first quarter of 2015, of which 51.3% is attributable to shareholders of Arctic Paper S.A.

Since net profit achieved by Rottneros Group and attributable to shareholders of Arctic Paper S.A. was lower than total net loss achieved by the other companies of Arctic Paper Group, as a result the net loss for the first quarter of 2015 is attributable to shareholders of Arctic Paper.

## Profitability analysis

Operating result in the first quarter of 2015 amounted to PLN +37,611 thousand compared to PLN +19,325 thousand in the analogous period of the previous year and +19,367 thousand in the last quarter of 2014. These changes mean there was an increase of operating profit margin from +2.40% in the first quarter of 2014 and +2.56% in the last quarter of 2014 to +4.50 in the first quarter of the current year.

EBITDA for the first quarter of 2015 amounted to PLN 68,815 thousand, while in the same period of 2014 it amounted to

PLN 48,389 thousand, while in the last quarter of 2014 it amounted to PLN 54,778 thousand. In the reporting period EBITDA margin amounted to 8.23 compared to 6.01% in the analogous period of 2014 and 7.25% in the last quarter of 2014.

Net profit in the current quarter of 2015 amounted to PLN 12,846 thousand compared to net profit of PLN 8,908 thousand in the first quarter of 2014 and PLN 21,410 thousand in the last quarter of 2014.

## Profitability analysis

<i>PLN thousand</i>	1Q	4Q	1Q	YTD 1Q	YTD 1Q	Change %	Change %	Change %
	2015	2014	2014	2015	2014	1Q'2015/ 4Q'2014	1Q'2015/ 1Q'2014	YTD1Q'2015/ YTD1Q'2014
Gross profit on sales	125 855	93 902	103 645	125 855	103 645	34,0	21,4	21,4
<i>Sales revenue %</i>	15,05	12,42	12,88	15,05	12,88	2,6 p.p.	2,2 p.p.	2,2 p.p.
<b>EBITDA</b>	<b>68 815</b>	<b>54 778</b>	<b>48 389</b>	<b>68 815</b>	<b>48 389</b>	<b>25,6</b>	<b>42,2</b>	<b>42,2</b>
<i>Sales revenue %</i>	8,23	7,25	6,01	8,23	6,01	1,0 p.p.	2,2 p.p.	2,2 p.p.
<b>EBIT</b>	<b>37 611</b>	<b>19 367</b>	<b>19 325</b>	<b>37 611</b>	<b>19 325</b>	<b>94,2</b>	<b>94,6</b>	<b>94,6</b>
<i>Sales revenue %</i>	4,50	2,56	2,40	4,50	2,40	1,9 p.p.	2,1 p.p.	2,1 p.p.
<b>Net profit/ (loss)</b>	<b>12 846</b>	<b>21 410</b>	<b>8 908</b>	<b>12 846</b>	<b>8 908</b>	<b>(40,0)</b>	<b>44,2</b>	<b>44,2</b>
<i>Sales revenue %</i>	1,54	2,83	1,11	1,54	1,11	(1,3) p.p.	0,4 p.p.	0,4 p.p.
ROE - Return on equity (%)	1,8	3,0	1,3	1,8	1,3	(1,2) p.p.	0,4 p.p.	0,4 p.p.
ROA - Return on assets (%)	0,7	1,2	0,5	0,7	0,5	(0,5) p.p.	0,2 p.p.	0,2 p.p.

In the first quarter of 2015, return on equity amounted to +1.8%, while in the first quarter of 2014 it amounted to 1.3% and in the fourth quarter of 2014 it amounted to +3.0%.

In the same period, return on assets amounted to +0.7%, while in the first quarter of 2014 it amounted to +0.5% and in the fourth quarter of 2014 it amounted to +1.2%.

Decrease of return on equity and return of assets in the first quarter of 2015, compared to the last quarter of 2014 is mainly due to the decrease of net profit in the analyzed period.



## Report on financial situation

### Selected items of the consolidated balance sheet

PLN thousand	31/03/2015	31/12/2014	31/03/2014	Change	Change
				31/03/2015	-31/12/2014
<b>Non-current assets</b>	804 948	843 745	903 617	(38 797)	(98 669)
Inventories	389 761	376 486	362 729	13 275	27 031
Receivables	406 914	345 964	385 737	60 950	21 177
<i>including trade receivables</i>	399 251	339 440	375 856	59 811	23 395
Other current assets	39 281	38 184	18 027	1 098	21 255
Cash and equivalents	159 956	158 412	97 030	1 545	62 927
<b>Total assets</b>	<b>1 800 860</b>	<b>1 762 790</b>	<b>1 767 140</b>	<b>38 070</b>	<b>33 721</b>
<b>Equity</b>	728 206	725 071	672 264	3 136	55 943
<b>Short-term liabilities</b>	658 427	590 567	674 756	67 860	(16 329)
<i>including:</i>					
<i>Trade and other payables</i>	416 345	364 992	387 580	51 353	28 765
<i>Interest-bearing loans and borrowings</i>	129 594	120 566	199 315	9 028	(69 721)
<i>Other non-financial liabilities</i>	112 488	105 009	87 861	7 479	24 627
<b>Long-term liabilities</b>	414 227	447 152	420 120	(32 926)	(5 894)
<i>including:</i>					
<i>Interest-bearing loans and borrowings</i>	275 835	306 380	283 991	(30 544)	(8 156)
<i>Other non-financial liabilities</i>	138 391	140 772	136 129	(2 381)	2 262
<b>Total equity and liabilities</b>	<b>1 800 860</b>	<b>1 762 790</b>	<b>1 767 140</b>	<b>38 070</b>	<b>33 721</b>

As on 31st March 2015, total assets amounted to PLN 1,800,860 thousand compared to PLN 1,762,790 thousand as at the end of 2014, which means an increase of PLN 45,567 thousand.

#### Non-current assets

As at the end of March 2015 non-current assets amounted to PLN 804,948 thousand and represented 44.7% of total assets compared to PLN 843,745 thousand and 47.9% as at the end of 2014. Non-current assets mainly consist of property, plant

& equipment and intangible assets. The carrying value of non-current assets decreased in three months of 2015, mainly due to depreciation allowances of property, plant and equipment exceeding investment expenditures.

#### Current assets

Current assets reached the level of PLN 995,912 thousand as at the end of March 2015 compared to PLN 919,045 thousand as at the end of December 2014. Within current assets inventories increased by PLN 13,275 thousand, receivables increased by PLN 60,950 thousand, other current assets increased by PLN 1,098 thousand, and cash and cash equivalents increased by PLN 1,545 thousand. Current assets

represented 55.3% of total assets as at the end of March 2015 (52.1% as at the end of 2014) and included inventories 21.6% (21.4% as at the end of 2014), receivables 22.6% (19.6% as at the end of 2014), other current assets 2.2% (2.1% as at the end of 2014) and cash and cash equivalents 8.9% (9.0% as at the end of 2014).

## Equity

Equity amounted to PLN 728,206 thousand as at the end of the first quarter of 2015 compared to PLN 725,071 thousand as at the end of 2014. Equity represented 40.4% of total equity

and liabilities as at the end of March 2015 compared to 41.1% of total equity and liabilities as at the end of December 2014.

## Short-term liabilities

As at the end of March 2015 short-term liabilities amounted to PLN 658,427 thousand (36.6% of total equity and liabilities) compared to PLN 590,567 thousand (33.5% of total equity and liabilities) as at the end of 2014. In the current quarter, an

increase of short-term liabilities occurred by PLN 67,860 thousand. This increase resulted from the increase of trade liabilities and other liabilities as well as the increase of overdraft debts.

## Long-term liabilities

As at the end of March 2015 long-term liabilities amounted to PLN 414,227 thousand (23.0% of total equity and liabilities) compared to PLN 447,152 thousand (25.4% of total equity and liabilities) as at the end of 2014. In the analyzed period, a

decrease of long-term liabilities occurred by PLN 32,926 thousand, mainly due to debt repayment under bank loan agreements.

## Debt analysis

### Debt analysis

	1Q 2015	4Q 2014	1Q 2014	Change % 1Q'2015/ 4Q'2014	Change % 1Q'2015/ 1Q'2014
Debt-to-equity ratio (%)	147,3	143,1	162,9	4,2 p.p.	(15,6) p.p.
Equity-to-non-current assets ratio (%)	90,5	85,9	74,4	4,5 p.p.	16,1 p.p.
Interest-bearing debt-to-equity ratio (%)	55,7	58,9	71,9	(3,2) p.p.	(16,2) p.p.
Net borrowings-to-EBITDA (times)	0,9x	1,1x	4,3x	(0,18)	(3,40)
EBITDA-to-interest (times)	9,8x	8,5x	3,2x	1,3	6,6

As at the end of March 2015 debt to equity ratio amounted to 147.3% and was higher by 4.1 p.p. compared to the end of 2014 and lower by 15.6 p.p. compared to the end of March 2014.

p.p. compared to the level of this factor calculated at the end of March 2014.

Equity to non-current assets amounted to 90.5% as at the end of the first quarter of 2015 and was higher by 4.5 p.p. than as at the end of 2014 and higher by 16.1 p.p. than as at the end of March 2014.

Net borrowings to EBITDA calculated for the last 12 months ended 31st March 2015 amounted to 0.9x compared to 1.1x as for the analogous period ended 31st December 2014 and 4.3x for the twelve months period ended 31st March 2014.

Interest bearing debt to equity ratio amounted to 55.7% as at the end of the first quarter of 2015 and was lower by 3.2 p.p. compared to the end of December 2014 and lower by 16.2

EBITDA to interest coverage ratio amounted to 9.8x for the twelve months ended 31st March 2015, 8.5x for the twelve months' period ended 31st December 2014 and 3.2x for the twelve months' period ended 31st March 2014.

Relatively high net borrowings to EBITDA ratio and low EBITDA to interest coverage ratio for the twelve months' period ended

31st March 2014 results from low annualized EBITDA.

## Liquidity analysis

### Liquidity ratios

	1Q 2015	4Q 2014	1Q 2014	Change % 1Q'2015/ 4Q'2014	Change % 1Q'2015/ 1Q'2014
<b>Current liquidity ratio</b>	<b>1,5x</b>	<b>1,6x</b>	<b>1,3x</b>	<b>(0,0)</b>	<b>0,2</b>
<b>Quick liquidity ratio</b>	<b>0,9x</b>	<b>0,9x</b>	<b>0,7x</b>	<b>0,0</b>	<b>0,2</b>
<b>Acid test ratio (cash liquidity)</b>	<b>0,2x</b>	<b>0,3x</b>	<b>0,1x</b>	<b>(0,0)</b>	<b>0,1</b>
Inventory turnover DSI (days)	49,4	51,2	46,6	(1,8)	2,8
Receivables turnover DSO (days)	43,0	40,4	42,0	2,5	0,9
Liabilities turnover DPO (days)	52,7	49,6	49,8	3,1	2,9
Operating cycle (days)	92,3	91,6	88,6	0,7	3,7
<b>Cash conversion cycle (days)</b>	<b>39,7</b>	<b>42,0</b>	<b>38,9</b>	<b>(2,3)</b>	<b>0,8</b>

At the end of March 2015 current liquidity ratio, quick liquidity ratio and acid test ratio were at similar levels compared to the end of 2014 and increased compared to the end of March 2014.

Cash conversion cycle in the period ended 31st March 2015 amounted to 39.7 days (42.0 days for the period ended 31st December 2014 and 38.9 days for the period ended 31st March 2014).

## Consolidated cash flow statement

### Selected items of the consolidated cash flow statement

PLN thousand	1Q	4Q	1Q	YTD 1Q	YTD 1Q	Change %	Change %	Change %
	2015	2014	2014	2015	2014	1Q'2015/ 4Q'2014	1Q'2015/ 1Q'2014	YTD1Q'2015/ YTD1Q'2014
Cash flow from operations	37 978	27 450	31 386	37 978	31 386	38,4	21,0	21,0
<i>including:</i>								
EBT	23 792	7 501	11 468	23 792	11 468	217,2	107,5	107,5
Depreciation, amortization and impairment	31 204	35 411	29 064	31 204	29 064	(11,9)	7,4	7,4
Δ in working capital	(16 515)	(16 024)	(16 802)	(16 515)	(16 802)	3,1	(1,7)	(1,7)
Other corrections	(503)	561	7 656	(503)	7 656	(189,5)	(106,6)	(106,6)
Cash flow investing activities	(12 838)	(21 939)	(11 251)	(12 838)	(11 251)	(41,5)	14,1	14,1
Cash flow financing activities	(19 095)	15 548	(41 342)	(19 095)	(41 342)	(222,8)	(53,8)	(53,8)
<b>Total Cash Flow</b>	<b>6 045</b>	<b>21 059</b>	<b>(21 206)</b>	<b>6 045</b>	<b>(21 206)</b>	<b>(71,3)</b>	<b>(128,5)</b>	<b>(128,5)</b>

### Cash flows from operating activities

In the first quarter of 2015, net cash flows from operating activities amounted to PLN +37,978 thousand compared to PLN +31,386 thousand in the corresponding period of 2014 and PLN +27,450 thousand in the fourth quarter of 2014.

Profit before tax achieved in the first quarter of 2015 more of amortization and depreciation allowances in the period contributed to positive cash flows from operating activities.

### Cash flows from investing activities

In the first quarter of 2015, cash flows from investing activities amounted to PLN -12,838 thousand compared to PLN -11,251 thousand in the corresponding period of 2014 and PLN -21,939 thousand in the fourth quarter of 2014. Cash

flows from investing activities in the first quarter of 2015 resulted primarily from purchases of property, plant & equipment, as well as intangible assets.

### Cash flows from financing activities

Cash flows from financing activities in the first quarter of 2015 amounted to PLN -19,095 thousand compared to PLN -41,342 thousand in the corresponding period of 2014 and PLN +15,548 thousand in the fourth quarter of 2014. Cash flows from financing activities in the first quarter of 2015

related mainly to repayment of indebtedness on the grounds of bank loans and interest, partially balanced with increase of overdraft debt. Positive cash flows in the fourth quarter of 2014 were primarily due to a loan received.

## Summary of standalone financial results

### Standalone income statement

#### Selected items of the standalone income statement

PLN thousand	1Q	4Q	1Q	YTD 1Q	YTD 1Q	Change %	Change %	Change %
	2015	2014	2014	2015	2014	1Q'2015/ 4Q'2014	1Q'2015/ 1Q'2014	YTD1Q'2015/ YTD1Q'2014
<b>Revenues:</b>	<b>10 659</b>	<b>12 701</b>	<b>9 561</b>	<b>10 659</b>	<b>9 561</b>	<b>(16,1)</b>	<b>11,5</b>	<b>11,5</b>
<i>including:</i>								
Sales of services	10 449	12 472	9 302	10 449	9 302	(16,2)	12,3	12,3
Interest on loans	210	229	259	210	259	(8,2)	(18,9)	(18,9)
Dividend income	-	-	-	-	-	-	-	-
Gross profit on sales	8 367	10 432	7 203	8 367	7 203	(19,8)	16,2	16,2
Sales revenue %	78,50	82,14	75,34	78,50	75,34	(3,6) p.p.	6,8 p.p.	3,2 p.p.
Selling expenses	(920)	(1 379)	(928)	(920)	(928)	(33,3)	(0,8)	(0,8)
Administrative expenses	(8 128)	(11 989)	(5 746)	(8 128)	(5 746)	(32,2)	41,4	41,4
Other operating income	133	67	168	133	168	98,9	(21,0)	(21,0)
Other operating cost	(8 404)	(11 449)	(842)	(8 404)	(842)	(26,6)	897,5	897,5
<b>EBIT</b>	<b>(8 952)</b>	<b>(14 318)</b>	<b>(145)</b>	<b>(8 952)</b>	<b>(145)</b>	<b>(37,5)</b>	<b>6 071,2</b>	<b>6 071,2</b>
Sales revenue %	(83,99)	(112,73)	(1,52)	(83,99)	(1,52)	28,7 p.p.	(82,5) p.p.	(82,5) p.p.
<b>EBITDA</b>	<b>(8 887)</b>	<b>(15 908)</b>	<b>(122)</b>	<b>(8 887)</b>	<b>(122)</b>	<b>(44,1)</b>	<b>7 177,1</b>	<b>7 177,1</b>
Sales revenue %	(83,38)	(125,25)	(1,28)	(83,38)	(1,28)	41,9 p.p.	(82,1) p.p.	(82,1) p.p.
Financial income	780	214	507	780	507	264,9	54,0	54,0
Financial cost	(981)	(1 328)	(657)	(981)	(657)	(26,1)	49,5	49,5
<b>EBT</b>	<b>(9 153)</b>	<b>(15 432)</b>	<b>(295)</b>	<b>(9 153)</b>	<b>(295)</b>	<b>(40,7)</b>	<b>3 004,1</b>	<b>3 004,1</b>
Corporate income tax	-	(34)	-	-	-	-	-	-
<b>Net profit</b>	<b>(9 153)</b>	<b>(15 465)</b>	<b>(295)</b>	<b>(9 153)</b>	<b>(295)</b>	<b>(40,8)</b>	<b>3 004,1</b>	<b>3 004,1</b>
Sales revenue %	(85,87)	(121,76)	(3,08)	(85,87)	(3,08)	35,9 p.p.	(82,8) p.p.	(82,8) p.p.

### Revenue, profit on sales

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

Sales revenue for the first quarter of 2015 amounted to PLN 10,659 thousand and comprised services rendered for entities belonging to the Group (PLN 10,449 thousand) and interest on

loans (PLN 210 thousand). In the same period of the previous year, standalone sales revenue amounted to PLN 9,561 thousand and comprised services rendered to the Group entities (PLN 9,302 thousand) and interest on loans (PLN 259 thousand).

Standalone sales revenue in the fourth quarter of 2014 amounted to PLN 12,701 thousand and comprised services

rendered for entities belonging to the Group (PLN 12,472 thousand) and interest on loans granted (PLN 229 thousand).

In 2015 and in 2014, the Company did not render services to the Pulp Mills of Rottneros Group.

### Selling expenses

In the first quarter of 2015, the Company recognized PLN 920 thousand of selling expenses (PLN 1,379 thousand in the fourth quarter of 2014), which were fully to cost of pulp procurement agency services rendered to Arctic Paper Kostrzyn S.A..

### Administrative expenses

In the first quarter of 2015, administrative expenses amounted to PLN 8,128 thousand and were higher compared to the analogous period of the previous year (PLN 5,746 thousand) and lower than in the fourth quarter of 2014 by PLN 3,861 thousand.

Administrative expenses of the company include costs of the administration of the Company operation, costs of services

### Other operating income and cost

Other operating income amounted to PLN 133 thousand in the first quarter of 2015, which represents a decrease by PLN 35 thousand compared to analogous period of 2014. Other operating cost totaled PLN 8,404 thousand in the first quarter

### Financial income and cost

In the first quarter of 2015, financial income amounted to PLN 780 thousand and was higher compared to financial income achieved in the first quarter of 2014 by PLN 274 thousand and higher by PLN 566 thousand compared to the fourth quarter of 2014.

Sales cost comprises interest cost on loans received from other Group companies..

Sales of pulp to Arctic Paper Kostrzyn commenced in July 2012.

provided to companies in the Group and all costs incurred by the Company for the purpose of holding company activities. Among them, a significant group of costs can be distinguished that applies only to statutory activities and includes, among others: costs of tax, legal and accounting services, as well as the costs of the Supervisory Board and the Management Board.

of 2015. The main item of other operating cost is the impairment allowance of loans granted to Arctic Paper Mochenwangen GmbH (PLN 8,215 thousand).

Financial cost in the first quarter of 2015 amounted to PLN 981 thousand. In the analogous period of 2014 financial cost amounted to PLN 657 thousand, while in the fourth quarter of 2014 financial cost amounted to PLN 1,328 thousand.

## Statement of financial position

### Selected items of the standalone balance sheet

PLN thousands	31/03/2015	31/12/2014	31/03/2014	Change	Change
				31/03/2015	31/03/2015
				-31/12/2014	-31/03/2014
Non-current assets	830 403	830 055	829 636	347	766
Receivables	84 414	45 487	41 097	38 927	43 317
Other current assets	41 582	42 485	21 356	(903)	20 226
Cash and equivalents	12 224	18 607	12 724	(6 383)	(500)
<b>Total assets</b>	<b>968 623</b>	<b>936 635</b>	<b>904 813</b>	<b>31 988</b>	<b>63 810</b>
Equity	656 004	664 893	689 813	(8 889)	(33 809)
Short-term liabilities	87 961	44 632	37 904	43 329	50 056
Long-term liabilities	224 659	227 109	177 096	(2 450)	47 563
<b>Total equity and liabilities</b>	<b>968 623</b>	<b>936 635</b>	<b>904 814</b>	<b>31 988</b>	<b>63 810</b>

As on 31st March 2015 total assets amounted to PLN 968,623 thousand compared to PLN 936,635 thousand as at the end of 2014.

#### Non-current assets

As at the end of March 2015 non-current assets represented nearly 85.7% of total assets which means this share decreased (by 2.7 p.p.) compared to the end of 2014. The main item of non-current assets is shares in subsidiaries. Total

value of this item as at the end of the first quarter of 2015 was PLN 827,236 thousand compared to PLN 827,190 thousand at the end of 2014.

#### Current assets

Current assets as at the end of March 2015 amounted to PLN 138,220 thousand compared to PLN 106,579 thousand as at the end of 2014. Current assets increased in the first quarter of 2015, particularly in trade receivables. From January 2015, a central logistics department has started operations in the

structures of Arctic Paper S.A., therefore receivables on the grounds of transportation services rendered to Group companies significantly increased. As at the end of the first quarter of 2015, current assets represented 14.3% of total assets compared to 11.4% as at the end of the previous year.

#### Equity

Equity amounted to PLN 656,004 thousand as at the end of the first quarter of 2015 compared to PLN 664,893 thousand as at the end of 2014. Equity amounted to 67.7% of total

equity and liabilities as at the end of March 2015 and this share decreased compared to the end of 2014 by 3.3 p.p.

#### Short-term liabilities

As at the end of March 2015 short-term liabilities amounted to PLN 87,961 thousand (9.1% of total equity and liabilities) compared to PLN 44,632 thousand as at the end of 2014

(4.8% of total equity and liabilities). The increase was mostly related to trade receivables. As mentioned in 'Current assets' section, in connection with operations of the central logistics

department in Arctic Paper S.A. there was also an increase of trade liabilities on the grounds of transportation services.

### Long-term liabilities

Long-term liabilities as at the end of March 2015 amounted to PLN 224,659 thousand (23.2% of total equity and liabilities) compared to PLN 227,109 thousand (24.2% of total equity and liabilities) as at the end of 2014.



## Cash flows

### Selected items of the standalone cash flow

PLN thousands	1Q	4Q	1Q	YTD 1Q	YTD 1Q	Change %	Change %	Change %
	2015	2014	2014	2015	2014	1Q'2015/ 4Q'2014	1Q'2015/ 1Q'2014	YTD1Q'2015/ YTD1Q'2014
Cash flow from operations	(5 801)	(13 004)	4 199	(5 801)	4 199	(55,4)	(238,1)	(238,1)
including:	-	-	-	-	-	-	-	-
EBT	(9 153)	(19 021)	(295)	(9 153)	(295)	(51,9)	3 004,1	3 004,1
Depreciation	65	(676)	23	65	23	(109,6)	182,9	182,9
Δ in working capital	1 843	(4 223)	563	1 843	563	(143,6)	227,2	227,2
Interest and dividend (net)	971	8 135	2 133	971	2 133	(88,1)	(54,5)	(54,5)
Other corrections	474	2 782	1 775	474	1 775	(83,0)	(73,3)	(73,3)
Cash flow investing activities	(172)	(21 402)	(141)	(172)	(141)	(99,2)	22,3	22,3
Cash flow financing activities	(410)	41 674	(352)	(410)	(352)	(101,0)	16,4	16,4
<b>Total Cash Flow</b>	<b>(6 383)</b>	<b>7 268</b>	<b>3 707</b>	<b>(6 383)</b>	<b>3 707</b>	<b>(187,8)</b>	<b>(272,2)</b>	<b>(272,2)</b>

Cash flows statement presents a decrease in cash and cash equivalents in the first quarter of 2015 by PLN 6,383 thousand which includes:

- negative cash flows from operating activities in the amount of PLN -5,801 thousand,
- negative cash flows from investing activities in the amount of PLN -172 thousand,
- negative cash flows from financing activities in the amount of PLN -410 thousand.

### Cash flows from operating activities

In the first quarter of 2015, net cash flows from operating activities amounted to PLN -5,801 thousand compared to PLN +4,199 thousand in the corresponding period of 2014. Higher

negative cash flows from operating activities in the current year were particularly influenced by both gross loss and the changes of working capital.

### Cash flows from investing activities

In three months of 2015, cash flows from investing activities amounted to PLN -172 thousand compared to PLN -141 thousand in the analogous period of the previous year.

The main item of cash flows from investing activities in 2015 was expenses related to acquisition of tangible fixed assets.

### Cash flows from financing activities

Cash flows from financing activities in 2015 amounted to PLN -410 thousand compared to PLN -352 thousand in 2014. Cash flows from financing activities in 2014 were influenced by

repayment of interest and liabilities under financial lease agreements.

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

### Key factors affecting the performance results

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

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

#### Macroeconomic and other economic factors

We believe that a number of macro-economic and other economic factors have a material impact on the demand for high-quality paper, and they may also influence the demand for the Group products and our operating results. Those factors include:

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

#### Paper prices

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

#### Costs of raw materials, energy and transportation

The main elements of the Group's operating expenses are costs of raw materials, energy and transportation. The costs of raw materials include mainly the costs of pulp for Paper Mills, timber for Paper and Pulp Mills and chemical agents used for

paper and pulp production. Our energy costs, historically, include mostly costs of electricity, natural gas, coal and fuel oil. Costs of transportation include the costs of transportation services rendered to the Group mainly by external service providers.

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

Part of pulp supplies to our Paper Mills is realized from Pulp Mills of Rottneros. The rest of pulp produced in Pulp Mills is sold to external customers.

#### Currency exchange fluctuations

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

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

Exchange rates also have an important influence on results reported in our financial statements because of changes in

exchange rates of currencies in which we generate revenues and incur costs, and the currency in which we report our financial results (PLN).

## Unusual events and factors

In the first quarter of 2015 there were no unusual events or factors.

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

In the first quarter of 2015 there were no relevant changes in Arctic Paper Group's structure that would have material influence on the financial result achieved.

## Other material information

### Negotiations with Swedish banks

On 11th March 2014, Arctic Paper S.A. and its subsidiary, Arctic Paper Grycksbo AB, finalized the next stage of negotiations with banks which finance the Issuer's group entities. As a result of the negotiations, Svenska Handelsbanken AB set new levels of solidity ratio and interest coverage ratio for the existing loan agreement.

### Restructuring of a client of the Group

In connection with the fact that the Management Board received the information of commencement of restructuring in companies of PaperlinX Limited group, having performed an analysis of the liabilities of these entities towards Arctic Paper Group, on 8th April 2015 the Management Board decided to create a provision on receivables from PaperlinX UK in the amount of PLN 15.3 million (EUR 3.7 million).

Restructuring concerns companies of PaperlinX Limited group, among others: Howard Smith Paper Group Ltd, The Paper Company, Robert Horne Group Ltd, Reel Paper, Webco Trading, and Conversion Company Ltd, all seated in the United Kingdom (jointly hereinafter "PaperlinX UK") – the companies

which are customers of the Issuer's subsidiaries: Arctic Paper Kostrzyn, Grycksbo, Munkedals, and Mochenwangen ("Arctic Paper mills"). Restructuring means the management has been entrusted to an external administrator, whose task is to ensure the continuation of the company's operations and prepare an arrangement with the creditors.

Creation of the provision is dictated by the expected lack of payment of the trade receivables from PaperlinX UK companies as listed above to Arctic Paper mills. Total amount of receivables resulting from cooperation of aforementioned entities is app. EUR 3.7 million. Creation of the provision will occur retroactively on 31st March 2015.

### Centralization of logistic services

In connection with ongoing restructuring in Arctic Paper Group, in the beginning of 2015 a centralized logistics department started its operations within the structures of Arctic paper S.A. The logistics department provides transportation planning and coordination services to paper mills in Kostrzyn, Grycksbo, Munkedals, and Mochenwangen.

## Factors influencing Arctic Paper Group development

### Information on market tendencies

#### Supplies of fine papers

Supplies of fine papers to the European market in the first quarter of 2015 were lower compared to the analogous period of 2014 by app. 4.2%. Supplies in the segment of uncoated wood-free paper (UWF) were lower by 4.3%, while those in the segment of coated wood-free paper (CWF) were lower by 4.1%.

Compared to the fourth quarter of 2014, the supplies of fine papers were at a very similar level. In the analyzed period,

supplies in the segment of uncoated wood-free paper (UWF) were 0.5% higher, while those in the segment of coated wood-free paper (CWF) were 0.8% lower.

In 1Q 2015 Arctic Paper Group paper sales volume was 8.9% higher than in 4Q 2014 and 2.6% higher than in the corresponding period of 2014.

Data source: EuroGraph, RISI, Arctic Paper analysis

#### Paper prices

In the first quarter of 2015, fine papers prices in Europe remained unchanged in UWF segment, while experienced a decrease compared to prices at the end of the fourth quarter of 2014 in CWF segment. Average CWF prices decreased by -1.9%.

Between the end of December 2014 and March 2015, UWF prices declared by producers for the selected products and markets of Germany, France, Spain, Italy and United Kingdom, expressed in EUR and GBP remained unchanged. CWF prices in the same period changed from -2.2% to -1.5%.

At the end of the quarter, average UWF prices increased by app. 0.6% and CWF prices decreased by -1.2%, compared to the end of the corresponding period of the previous year.

Prices invoiced by Arctic Paper in EUR of comparable products in the segment of uncoated wood-free paper

changed from the end of December 2014 until March 2015 by from -0.6% to +2.8%, while in the segment of coated wood-free paper by from +0.5% to +1.8%.

Source: For market data - RISI, price changes for chosen markets in Germany, France, Spain, Italy and United Kingdom in local currencies for graphic papers similar to product portfolio of the Arctic Paper Group. Prices are expressed excluding specific rebates for individual clients and they include neither additions nor price reductions in relation to publicly available price lists. Estimated prices for particular month reflect orders made in that month, whereas their deliveries may take place in the future. Because of that, RISI price estimations for a particular month do not reflect real prices by which deliveries are realized buy only express ordering prices. For Arctic Paper products the average invoiced sales prices for all served markets in EUR.

## Pulp prices

At the end of the first quarter of 2015, pulp prices reached a level of USD 880 per ton for NBSK and USD 759 per ton for BHKP. The average pulp price in 1Q 2015 was lower by 1.1% for NBSK while lower by 2.4% for BHKP, compared to the corresponding period of the previous year. In the first quarter of 2015, average pulp price was lower by 2.9% for NBSK and higher by 2.0% for BHKP, compared to the fourth quarter of 2014.

The average cost of pulp per ton as calculated for AP Group, expressed in PLN, in 1Q 2015 increased by 8.4% compared to 4Q 2014 and increased by 12.8% compared to 1Q 2014.

## Currency exchange rates

The EUR/PLN exchange rate at the end of the first quarter of 2015 amounted to 4.0890 and was lower by -4.1% than at the end of the fourth quarter of 2014 and lower by 2.0% than at the end of the first quarter of 2014. The average exchange rate in the first quarter of 2015 was lower than in the fourth quarter of 2014 and amounted to 4.1929, compared to 4.2102 (-0.4%). The average exchange rate in the first quarter of 2015, compared to the corresponding period of the previous year, was 0.2% higher.

EUR/SEK exchange rate decreased from 9.4049 as at the end of the fourth quarter of 2014 to 9.2721 (-1.4%) at the end of the first quarter of 2015. For this pairing, the average rate in the first quarter of 2015 was 1.2% higher compared to the fourth quarter of 2014. The average exchange rate in the first quarter of 2015 was 5.9% higher than in the corresponding period of 2014.

At the end of the first quarter of 2015, USD/PLN rate was 8.7% higher than at the end of the fourth quarter of 2014 and amounted to 3.8125. In the first quarter of 2015, the average USD/PLN exchange rate amounted to 3.7277 compared to

The share of pulp costs in cost of paper sales in the first quarter of 2015 amounted to 51% and was higher compared to the level recorded in 4Q 2014 (50%).

Arctic Paper Group uses the pulp in the production process according to the following structure: BHKP 66%, NBSK 17% and other 17%.

Source: [www.foex.fi](http://www.foex.fi), Arctic Paper analysis

3.3687 in the fourth quarter of 2014, which means a depreciation of PLN by 10.7%.

At the end of the first quarter of 2015, USD/SEK rate amounted to 8.6451 and was 11.7% higher than at the end of the fourth quarter of 2014. The average exchange rate in the first quarter of 2015 amounted to 8.3378 which means an increase by 12.4% compared to the fourth quarter of 2014.

Changes of USD/PLN and USD/SEK exchange rates caused a significant increase of the price for a ton of pulp, expressed in PLN and SEK, compared to prices at the end of the fourth quarter of 2014.

At the end of March 2015, EUR/USD rate amounted to 1.0725 compared to 1.2153 (-11.7%) at the end of the fourth quarter of 2014 and to 1.3747 (-22.0%) at the end of March 2014. In the first quarter of 2015, the average exchange rate amounted to 1.1256 compared to 1.2501 (-10.0%) in the fourth quarter of 2014.

Strong appreciation of USD towards EUR, PLN and SEK had a negative influence of the Group's financial results, mainly due to increase of purchases costs.

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

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

- Demand for fine papers in Europe have an influence on our financial results. Decline of demand for fine papers in Europe (level of orders realized) will unfavorably influence levels of orders to our Paper Mills and, as a result, will have an adverse impact on financial results of the Group.
- The levels of fine papers prices. In particular, the ability to raise the prices of Arctic Paper products in local currencies, in reference to declining supplies/demand in Europe and in connection with exchange rates fluctuations, will have a material influence on the financial results. Paper prices are going to be of particular importance for paper mills of Grycksbo and Mochenwangen, which, in connection with market changes, experience the greatest adverse impact of changes of sales volume, prices, as well as, in case of AP Grycksbo, of exchange rates fluctuations.
- Prices fluctuations of raw materials, including pulp for Paper Mills and electricity for all operational entities. In particular, financial results of Paper Mills may be adversely influenced by increasing pulp prices, particularly BHKP. On the other hand, increasing NBSK prices should positively influence financial results of Pulp Mills. Fluctuations of electricity prices in Sweden may also have a material impact on the results achieved by the Group. In future, such market changes may translate to changes of sales profitability in paper mills of AP Munkedals and AP Grycksbo as well as in pulp mills of Rottneros and Vallvik.
- Currency rates; in particular, the appreciation of PLN and SEK in relation to EUR and GBP, the appreciation of PLN in relation to SEK, and depreciation of PLN and SEK in relation to USD, may have an adverse effect on the financial results. However, our Pulp Mills may benefit from appreciation of USD in relation to SEK.

## Risk factors

In the first quarter of 2015, there were no material changes regarding risk factors, which have been described in details in the annual report for 2014.

## Supplementary information

### Management Board position on the possibility to achieve the projected financial results published earlier

The Management Board of Arctic Paper S.A. has not published projections of financial results for 2015.

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

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

Managing and supervising personnel	Number of shares or rights thereto as at 13/05/2015	Number of shares or rights thereto as at 23/03/2015	Change
<b>Management Board</b>			
Wolfgang Lübbert	-	-	-
Jacek Łoś	-	-	-
Per Skoglund	-	-	-
Małgorzata Majewska-Śliwa	-	-	-
Michał Sawka	-	-	-
<b>Supervisory Board</b>			
Rolf Olof Grundberg	12 102	12 102	-
Rune Roger Ingv arsson	-	-	-
Thomas Onstad	5 848 658	5 848 658	-
Roger Mattsson	-	-	-
Dariusz Witkowski	-	-	-
Mariusz Grendowicz	-	-	-

### Information on guarantees

As on 31st March 2015, the Group reported:

- a pledge on movables of Arctic Paper Munkedals AB resulting from a factoring contract with Svenska Handelsbanken AB amounting to SEK 160,000 thousand;
- a pledge on movables of Arctic Paper Grycksbo AB resulting from a factoring contract with Svenska Handelsbanken AB amounting to SEK 85,000 thousand;
- a pledge on real estate 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 145,745 thousand;
- a pledge on shares of Arctic Paper Grycksbo AB resulting from an agreement with FPG in favor of mutual

life insurance company PRI in the amount of SEK 50,000 thousand;

- a contingent liability on the grounds of a guarantee for FPG in favor of mutual life insurance company FRI in the amount of SEK 1,477 thousand in Arctic Paper Grycksbo AB and of SEK 747 thousand in Arctic Paper Munkedals AB;
- a pledge on real estate of Arctic Paper Munkedals AB resulting from an agreement with FPG in favor of mutual life insurance company PRI in the amount of SEK 50,000 thousand;
- a limit of liabilities under factoring contract in Arctic Paper Munkedals set to SEK 118,453 thousand;
- a contingent liability of Arctic Paper Munkedals AB on the grounds of a guarantee for Kalltorp Kraft HB liabilities in the amount of SEK 3,265 thousand;
- mortgages on Kalltorp Kraft HB real estate in the amount of SEK 8,650 thousand;
- a bank guarantee in favor of Skatteverket Ludvika in the amount of SEK 135 thousand;
- a guarantee on the bank account of Arctic Paper Mochenwangen GmbH on the grounds of employee benefits in the amount of EUR 255 thousand;
- a guarantee in favor of WBW GmbH & Co.KG – a supplier of machines for Arctic Paper Mochenwangen GmbH in the amount of EUR 300 thousand, which expires on 31st March 2015;
- guarantees granted by the companies of Rottneros Group in the total amount of SEK 3,000 thousand,
- pledges on shares of Rottneros Group subsidiaries in the amount of SEK 245,000 thousand;
- a guarantee in favor of Södra Cell International AB, the supplier of pulp, in the amount of SEK 12,000 thousand,
- a pledge on 39,900,000 Rottneros AB shares resulting from a loan agreement for the amount of EUR 4,000

thousand, concluded by and between Arctic Paper S.A. and Mr. Thomas Onstad.

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

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

## Significant off-balance sheet items

Information regarding off-balance sheet items is included in consolidated financial statements.



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

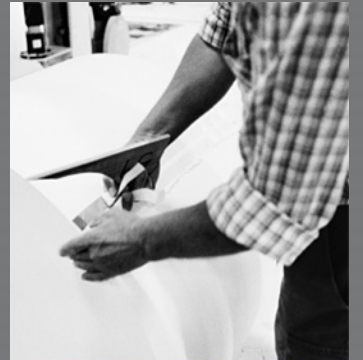
During the period covered by this report, Arctic Paper S.A. and its subsidiaries were not a party to any proceedings pending before a court, arbitration or public administrative authority, the unit or joint value of which would equal or exceed 10% of the Company's equity.

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

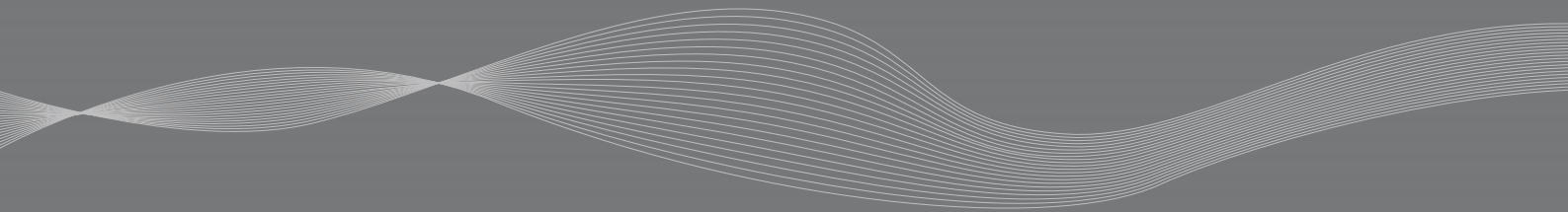
During the period covered by this report, Arctic Paper S.A. and its subsidiaries did not execute any significant transactions with related entities on non-market terms and conditions.

Signatures of the Members of the Management Board

Position	Name and surname	Date	Signature
President of the Management Board Chief Executive Officer	Wolfgang Lübbert	13 May 2015	
Member of the Management Board Chief Financial Officer	Małgorzata Majewska-Śliwa	13 May 2015	



Condensed quarterly consolidated  
financial statements  
for the three months' period  
ended 31st March 2015



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## Consolidated financial statements and selected financial data

### Selected consolidated financial data

	For the period from 01.01.2015 to 31.03.2015 thousand PLN	For the period from 01.01.2014 to 31.03.2014 thousand PLN	For the period from 01.01.2015 to 31.03.2015 thousand EUR	For the period from 01.01.2014 to 31.03.2014 thousand EUR
Revenues	836 240	804 492	199 442	192 194
Operating profit (loss)	37 611	19 325	8 970	4 617
Profit (loss) before tax	23 792	11 468	5 674	2 740
Profit (loss) from continuing operations	12 846	8 908	3 064	2 128
Profit (loss) for the period	12 846	8 908	3 064	2 128
Profit (loss) for the period attributable to equity holders of the parent	(3 652)	5 702	(871)	1 362
Net operating cash flow	37 978	31 386	9 058	7 498
Net investing cash flow	(12 838)	(11 251)	(3 062)	(2 688)
Net financing cash flow	(19 095)	(41 342)	(4 554)	(9 877)
Net change in cash and cash equivalents	6 045	(21 207)	1 442	(5 066)
Weighted average number of shares	69 287 783	69 287 783	69 287 783	69 287 783
Weighted average diluted number of shares	69 287 783	69 287 783	69 287 783	69 287 783
EPS (in PLN/EUR)	(0,05)	0,08	(0,01)	0,02
Diluted EPS (in PLN/EUR)	(0,05)	0,08	(0,01)	0,02
Average PLN/EUR rate*			4,1929	4,1858

	As at 31 March 2015 thousand PLN	As at 31 December 2014 thousand PLN	As at 31 March 2015 thousand EUR	As at 31 December 2014 thousand EUR
Assets	1 800 860	1 762 790	440 416	413 577
Long-term liabilities	414 227	447 152	101 303	104 909
Short-term liabilities	658 427	590 567	161 024	138 556
Equity	728 206	725 071	178 089	170 113
Share capital	69 288	69 288	16 945	16 256
Number of shares	69 287 783	69 287 783	69 287 783	69 287 783
Diluted number of shares	69 287 783	69 287 783	69 287 783	69 287 783
Book value per share (in PLN/EUR)	10,51	10,46	2,57	2,46
Diluted book value per share (in PLN/EUR)	10,51	10,46	2,57	2,46
Declared or paid dividend (in PLN/EUR)	-	-	-	-
Declared or paid dividend per share (in PLN/EUR)	-	-	-	-
PLN/EUR rate at the end of the period**	-	-	4,0890	4,2623

\* - 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.

## Consolidated income statement

	3 months period ended 31 March 2015 (unaudited)	3 months period ended 31 March 2014 (unaudited)	Year ended 31 December 2014 (audited)
Continuing operations			
Sales of products	836 240	804 492	3 099 364
Revenues	836 240	804 492	3 099 364
Cost of sales	(710 385)	(700 846)	(2 668 571)
Gross profit / (loss) on sales	125 855	103 645	430 793
Selling and distribution expenses	(88 800)	(74 181)	(289 419)
Administrative expenses	(17 602)	(20 057)	(74 954)
Other operating income	28 049	16 649	81 343
Other operating expenses	(9 892)	(6 731)	(31 145)
Operating profit / (loss)	37 611	19 325	116 618
Financial income	209	696	844
Financial cost	(14 028)	(8 553)	(39 608)
Profit / (loss) before tax	23 792	11 468	77 854
Income tax	(10 946)	(2 560)	320
Net profit (loss) for the year from continuing operations	12 846	8 908	78 175
Discontinued operations			
Profit (loss) for the period from discontinued operations	-	-	-
Net profit (loss) for the year	12 846	8 908	78 175
Attributable to:			
Equity holders of the parent	(3 652)	5 702	50 459
Non-controlling interest	16 498	3 206	27 716
	12 846	8 908	78 175
Earnings per share:			
– basic from the profit (loss) for the period attributable to equity holders of the parent	(0,05)	0,08	0,73
– basic from the profit (loss) from continuing operations attributable to equity holders of the parent	(0,05)	0,08	0,73
– diluted from the profit (loss) for the period attributable to equity holders of the parent	(0,05)	0,08	0,73
– diluted from the profit (loss) from the continuing operations attributable to equity holders of the parent	(0,05)	0,08	0,73

## Consolidated statement of comprehensive income

	3 months period ended 31 March 2015 (unaudited)	3 months period ended 31 March 2014 (unaudited)	Year ended 31 December 2014 (audited)
Net profit / (loss) for the period	12 846	8 908	78 175
Items to be recognized in profit/loss in future periods:			
Exchange difference on translation of foreign operations	(13 707)	(2 789)	(14 955)
Deferred tax on valuation of financial instruments	(1 026)	1 393	(2 825)
Valuation of financial instruments	5 023	(6 779)	10 438
Items not to be recognized in profit/loss in future periods:			
Actuarial gains/(losses)	-	-	(22 205)
Deferred tax on actuarial gains/(losses)	-	-	4 911
Other comprehensive income	(9 710)	(8 175)	(24 637)
Total comprehensive income	3 136	733	53 538
Total comprehensive income by:			
Holders of the parent	(8 038)	(722)	27 851
Holders of the non-controlling interest	11 174	1 455	25 686

## Consolidated balance sheet

	As at 31 March 2015 (unaudited)	As at 31 December 2014 (audited)	As at 31 March 2014 (unaudited)
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	700 193	726 448	771 593
Investment properties	3 982	3 982	11 181
Intangible assets	49 037	50 692	49 481
Shares in joint ventures	4 902	5 037	5 059
Other financial assets	2 017	2 088	1 161
Other non-financial assets	1 201	1 238	1 591
Deferred tax asset	43 617	54 259	63 551
	804 948	843 745	903 617
Current assets			
Inventories	389 761	376 486	362 729
Trade and other receivables	399 251	339 440	375 856
Income tax receivables	7 663	6 524	9 881
Other non-financial assets	26 223	21 312	934
Other financial assets	13 058	16 872	17 093
Cash and cash equivalents	159 956	158 412	97 030
	995 912	919 045	863 523
<b>TOTAL ASSETS</b>	<b>1 800 860</b>	<b>1 762 790</b>	<b>1 767 140</b>
<b>LIABILITIES</b>			
Equity			
Share capital	69 288	69 288	69 288
Share premium	472 748	472 748	652 659
Other reserves	140 769	136 557	127 992
Foreign currency translation	360	8 958	16 412
Retained earnings / Accumulated (unabsorbed) losses	(147 592)	(143 939)	(351 314)
Non-controlling interest	192 633	181 459	157 227
Total equity	728 206	725 071	672 264
Non-current liabilities			
Interest-bearing loans, borrowings and bonds	241 875	269 138	236 867
Provisions	97 369	100 179	79 094
Other financial liabilities	33 960	37 241	47 124
Deferred tax liabilities	15 068	13 959	28 362
Accruals and deferred income	25 954	26 634	28 673
	414 227	447 152	420 120
Current liabilities			
Interest-bearing loans, borrowings and bonds	67 756	59 727	130 456
Provisions	7 575	8 794	4 617
Other financial liabilities	61 839	60 839	68 859
Trade and other payables	415 895	364 468	386 623
Income tax payable	450	524	957
Accruals and deferred income	104 913	96 215	83 244
	658 427	590 567	674 756
<b>TOTAL LIABILITIES</b>	<b>1 072 654</b>	<b>1 037 719</b>	<b>1 094 877</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 800 860</b>	<b>1 762 790</b>	<b>1 767 140</b>

## Consolidated cash flow statement

	3 months period ended 31 March 2015 (unaudited)	3 months period ended 31 March 2014 (unaudited)	Year ended 31 December 2014 (audited)
<b>Cash flow from operating activities</b>			
Profit (loss) before taxation	23 792	11 468	77 854
Adjustments for:			
Depreciation/amortization	31 204	29 064	121 922
Foreign exchange differences profit/(loss)	(1 769)	1 271	5 149
Net interest and dividends	5 612	8 030	30 776
Gain/loss from investing activities	632	(1 886)	(21 577)
Increase / decrease in receivables and other non-financial assets	(70 197)	(55 866)	(28 627)
Increase / decrease in inventories	(21 904)	33 432	11 807
Increase / decrease in payables except for loans and borrowings	61 787	20 701	8 251
Change in accruals and prepayments	13 799	(15 068)	(2 519)
Change in provisions	(1 120)	1 523	8 248
Income tax paid	(2 731)	(1 603)	(551)
Derecognition of emission rights identified in a business combination	77	271	(165)
Cogeneration certificates	(1 904)	-	(4 367)
Other	699	50	233
Net cash flow from operating activities	37 978	31 386	206 433
<b>Cash flow from investing activities</b>			
Proceeds from sale of property, plant and equipment and intangible assets	56	1 904	20 359
Purchase of property, plant and equipment and intangible assets	(12 893)	(13 154)	(68 853)
Bank deposits for period over 3 months	-	-	(21 312)
Proceeds from sale of investment property	-	-	9 600
Net cash flow from investing activities	(12 838)	(11 251)	(60 206)
<b>Cash flow from financing activities</b>			
Change in bank overdrafts	8 266	(10 983)	(80 627)
Repayment of finance lease liabilities	(728)	(692)	(2 810)
Proceeds from other financial liabilities	5 168	701	-
Repayment of other finance liabilities	(4 678)	(13 603)	(16 592)
Proceeds from loans and borrowings	-	-	57 580
Repayment of loans and borrowings	(22 103)	(8 736)	(35 028)
Interest paid	(5 020)	(8 028)	(26 876)
Net cash flow from financing activities	(19 095)	(41 342)	(104 354)
Net increase/(decrease) in cash and cash equivalents	6 045	(21 207)	41 873
Net foreign exchange differences	(4 500)	203	(1 494)
Cash and cash equivalents at the beginning of the period	158 412	118 033	118 033
Cash and cash equivalents at the end of the period	159 956	97 030	158 412



## Consolidated statement of changes in equity

	Attributable to equity holders of the Parent Company							
	Share capital	Share premium	Translation reserve	Other reserves	Retained earnings (losses)	Total	Non-controlling interest	Total equity
As at 1 January 2015	69 288	472 748	8 958	136 557	(143 939)	543 612	181 459	725 071
Net profit for the period	-	-	-	-	(3 652)	(3 652)	16 498	12 846
Other comprehensive income	-	-	(8 598)	4 212	-	(4 386)	(5 324)	(9 710)
Total comprehensive income	-	-	(8 598)	4 212	(3 652)	(8 038)	11 174	3 136
As at 31 March 2015 (unaudited)	69 288	472 748	360	140 769	(147 592)	535 573	192 633	728 206

Attributable to equity holders of the Parent Company

	Share capital	Share premium	Translation reserve	Other reserves	Retained earnings (losses)	Total	Non-controlling interest	Total equity
As at 1 January 2014	69 288	652 659	18 132	132 697	(357 015)	515 760	155 772	671 532
Foreign currency translation	-	-	-	-	5 702	5 702	3 206	8 908
Other comprehensive income	-	-	(1 719)	(4 705)	-	(6 424)	(1 751)	(8 175)
Total comprehensive income	-	-	(1 719)	(4 705)	5 702	(722)	1 455	733
As at 31 March 2014 (unaudited)	69 288	652 659	16 412	127 992	(351 314)	515 037	157 227	672 264

Attributable to equity holders of the Parent Company

	Share capital	Share premium	Translation reserve	Other reserves	Retained earnings (losses)	Total	Non-controlling interest	Total equity
As at 1 January 2014 (audited)	69 288	652 659	18 132	132 697	(357 015)	515 760	155 772	671 532
Net profit for the period	-	-	-	-	50 459	50 459	27 716	78 175
Other comprehensive income	-	-	(9 173)	3 860	(17 294)	(22 607)	(2 030)	(24 637)
Total comprehensive income	-	-	(9 173)	3 860	33 165	27 851	25 686	53 538
Profit distribution	-	(179 911)	-	-	179 911	-	-	-
As at 31 December 2014 (audited)	69 288	472 748	8 958	136 557	(143 939)	543 612	181 459	725 071

## Standalone financial statements and selected financial data

### Selected standalone financial data

	For the period from 01.01.2015 to 31.03.2015 tys. PLN	For the period from 01.01.2014 to 31.03.2014 tys. PLN	For the period from 01.01.2015 to 31.03.2015 tys. EUR	For the period from 01.01.2014 to 31.03.2014 tys. EUR
Revenues	10 659	9 561	2 542	2 284
Operating profit (loss)	(8 952)	(145)	(2 135)	(35)
Profit (loss) before tax	(9 153)	(295)	(2 183)	(70)
Profit (loss) from continuing operations	(9 153)	(295)	(2 183)	(70)
Profit (loss) for the period	(9 153)	(295)	(2 183)	(70)
Net operating cash flow	(5 801)	4 199	(1 383)	1 003
Net investing cash flow	(172)	(141)	(41)	(34)
Net financing cash flow	(410)	(352)	(98)	(84)
Net change in cash and cash equivalents	(6 383)	3 706	(1 522)	885
Weighted average number of shares	69 287 783	69 287 783	69 287 783	69 287 783
Weighted average diluted number of shares	69 287 783	69 287 783	69 287 783	69 287 783
EPS (in PLN/EUR)	(0,13)	(0,00)	(0,03)	(0,00)
Diluted EPS (in PLN/EUR)	(0,13)	(0,00)	(0,03)	(0,00)
Average PLN/EUR rate*			4,1929	4,1858
	As at 31 March 2015 tys. PLN	As at 31 December 2014 tys. PLN	As at 31 March 2015 tys. EUR	As at 31 December 2014 tys. EUR
Assets	968 623	936 635	236 885	219 749
Long-term liabilities	224 659	227 109	54 942	53 283
Short-term liabilities	87 961	44 632	21 512	10 471
Equity	656 004	664 893	160 431	155 994
Share capital	69 288	69 288	16 945	16 256
Number of shares	69 287 783	69 287 783	69 287 783	69 287 783
Diluted number of shares	69 287 783	69 287 783	69 287 783	69 287 783
Book value per share (in PLN/EUR)	9,47	9,60	2,32	2,25
Diluted book value per share (in PLN/EUR)	9,47	9,60	2,32	2,25
Declared or paid dividend (in PLN/EUR)	-	-	-	-
Declared or paid dividend per share (in PLN/EUR)	-	-	-	-
PLN/EUR rate at the end of the period**	-	-	4,0890	4,2623

\* - 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.

## Standalone income statement

	3 months period ended 31 March 2015 (unaudited)	3 months period ended 31 March 2014 (unaudited)	Year ended 31 December 2014 (audited)
Continuing operations			
Sales of services	10 449	9 302	37 640
Interest income	210	259	999
Dividend income	-	-	140
Revenues	10 659	9 561	38 779
Cost of sales	(2 292)	(2 358)	(9 417)
Gross profit on sales	8 367	7 203	29 362
Other operating income	133	168	270
Selling and distribution costs	(920)	(928)	(4 036)
Administrative expenses	(8 128)	(5 746)	(29 196)
Other operating expenses	(8 404)	(842)	(18 614)
Operating profit / (loss)	(8 952)	(145)	(22 215)
Finance income	780	507	156
Finance costs	(981)	(657)	(3 018)
Profit / (loss) before tax	(9 153)	(295)	(25 076)
Income tax	-	-	(34)
Net profit (loss) for the year from continuing operations	(9 153)	(295)	(25 110)
Discontinued operations			
Profit (loss) for the period from discontinued operations	-	-	-
Net profit (loss) for the year	(9 153)	(295)	(25 110)
Earnings per share:			
- basic from the profit (loss) for the period	(0,13)	(0,00)	(0,36)
- basic from the profit (loss) from continuing operations for the period	(0,13)	(0,00)	(0,36)
- diluted from the profit (loss) for the period	(0,13)	(0,00)	(0,36)
- diluted from the profit (loss) from the continuing operations for the period	(0,13)	(0,00)	(0,36)

## Standalone statement of comprehensive income

	3 months period ended 31 March 2015 (unaudited)	3 months period ended 31 March 2014 (unaudited)	Year ended 31 December 2014 (audited)
Net profit (loss) for the period	(9 153)	(295)	(25 110)
Items to be recognized in profit/loss in future periods:			
Exchange difference on translation of foreign operations	263	64	325
Total net other comprehensive income	263	64	325
Total comprehensive income	(8 890)	(231)	(24 784)

## Standalone balance sheet

	As at 31 March 2015 (unaudited)	As at 31 December 2014 (audited)	As at 31 March 2014 (unaudited)
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	998	677	385
Intangible assets	1 323	1 319	1 320
Shares in subsidiaries	827 236	827 190	827 168
Other non-financial assets (non-current)	846	869	763
	830 403	830 055	829 636
Current assets			
Trade and other receivables	84 199	45 320	40 790
Income tax receivables	215	167	308
Other financial assets	40 831	41 714	20 600
Other non-financial assets	751	771	756
Cash and cash equivalents	12 224	18 607	12 724
	138 220	106 579	75 177
<b>TOTAL ASSETS</b>	<b>968 623</b>	<b>936 635</b>	<b>904 813</b>
<b>EQUITY AND LIABILITIES</b>			
Equity			
Share capital	69 288	69 288	69 288
Share premium	472 751	472 751	652 662
Other reserves	147 871	147 871	147 871
Foreign currency translation	780	517	256
Retained earnings / Accumulated (unabsorbed) losses	(34 687)	(25 533)	(180 264)
Total equity	656 004	664 893	689 813
Non-current liabilities			
Interest-bearing loans and borrowings	222 741	225 168	175 525
Provisions	842	866	728
Other financial liabilities	328	300	-
Deferred tax liabilities	-	-	1
Accruals and deferred income	747	776	842
	224 659	227 109	177 096
Current liabilities			
Provisions	598	826	-
Interest-bearing loans and borrowings	3 434	551	2 473
Trade payables	78 980	36 026	30 863
Other financial liabilities	235	102	-
Other current liabilities	2 390	1 733	1 035
Income tax liability	-	35	-
Accruals and deferred income	2 324	5 360	3 534
	87 961	44 632	37 904
<b>TOTAL LIABILITIES</b>	<b>312 620</b>	<b>271 741</b>	<b>215 000</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>968 623</b>	<b>936 635</b>	<b>904 813</b>

## Standalone cash flow statement

	3 months period ended 31 March 2015 (unaudited)	3 months period ended 31 March 2014 (unaudited)	Year ended 31 December 2014 (audited)
<b>Cash flow from operating activities</b>			
Profit (loss) before taxation	(9 153)	(295)	(25 076)
Adjustments for:			
Depreciation/amortization	65	23	110
Gain / (loss) from foreign exchange differences	(1 296)	66	334
Impairment of assets	8 868	-	-
Net interest and dividends	971	2 133	8 360
Gain/loss from investing activities	-	(6)	-
Increase / decrease in receivables and other non-financial assets <sup>other non-financi</sup>	(38 836)	3 557	(1 093)
Increase / decrease in payables except for loans and borrowings	43 744	(2 795)	3 066
Change in accruals and prepayments	(3 065)	(199)	1 561
Change in provisions	(251)	(5)	959
Income tax paid	(48)	503	643
Changes in loans granted to subsidiaries	(6 786)	374	740
Other	(13)	-	10
Net cash flow from operating activities	(5 801)	4 199	(10 387)
<b>Cash flow from investing activities</b>			
Proceeds from property, plant and equipment and intangible assets	-	20	20
Purchase of property, plant and equipment and intangible assets	(172)	(161)	(45)
Short-term deposit	-	-	(21 312)
Acquisition of shares in a subsidiary	-	-	(68)
Net cash flow from investing activities	(172)	(141)	(21 405)
<b>Cash flow from financing activities</b>			
Repayment of leasing liabilities	(57)	-	(91)
Loans received	-	-	43 176
Interest paid	(353)	(352)	(1 704)
Net cash flow from financing activities	(410)	(352)	41 381
Net increase/(decrease) in cash and cash equivalents	(6 383)	3 706	9 590
Cash and cash equivalents at the beginning of the period	18 607	9 018	9 018
Cash and cash equivalents at the end of the period	12 225	12 724	18 607

## Standalone statement of changes in equity

	Share capital	Share premium	Translation reserve	Other reserves	Retained earnings (losses)	Total equity
As at 1 January 2015	69 288	472 751	517	147 871	(25 534)	664 893
Foreign currency translation	-	-	263	-	-	263
Net profit/(loss) for the period	-	-	-	-	(9 153)	(9 153)
Total comprehensive income	-	-	263	-	(9 153)	(8 890)
As at 31 March 2015 (unaudited)	69 288	472 751	780	147 871	(34 687)	656 004

	Share capital	Share premium	Translation reserve	Other reserves	Retained earnings (losses)	Total equity
As at 1 January 2014	69 288	652 662	192	147 871	(179 969)	690 044
Foreign currency translation	-	-	64	-	-	64
Net profit for the period	-	-	-	-	(295)	(295)
Total comprehensive income	-	-	64	-	(295)	(231)
As at 31 March 2014 (unaudited)	69 288	652 662	256	147 871	(180 264)	689 813



	Share capital	Share premium	Translation reserve	Other reserves	Retained earnings (losses)	Total equity
As at 1 January 2014	69 288	652 662	192	147 871	(179 969)	690 044
Net profit for the period	-	-	-	-	(25 110)	(25 110)
Other comprehensive income	-	-	325	-	-	325
Total comprehensive income	-	-	325	-	(25 110)	(24 785)
Swedish tax group allocation	-	-	-	-	(366)	(366)
Profit distribution	-	(179 911)	-	-	179 911	-
As at 31 December 2014 (audited)	69 288	472 751	517	147 871	(25 534)	664 893

## Additional explanatory notes

### 1. General information

Arctic Paper Group is the second largest, in terms of production volume, European producer of bulky book paper, offering the widest range of products in this segment and one of the leading producers of high-quality graphic paper in Europe. We produce many types of wood-free coated and uncoated paper, as well as wood-containing uncoated paper for printing houses, paper distributors, publishers of books and periodicals and advertising industry. At the day of publication of this report, Arctic Paper Group employs app. 1,800 people in four paper mills and fifteen companies involved in the distribution and sale of paper as well as in two pulp companies, a purchasing office and a company dealing in production of food packaging. Our paper mills are located in Poland, Sweden and Germany and have a combined capacity of more than 800,000 tons of paper annually. Our pulp mills are located in Sweden and have aggregated production capacities of 400,000 tons of pulp annually. The Group has three distribution companies engaged in sales, distribution and marketing of the products offered by the Group in Nordic countries and 12 Sales Offices to ensure access for all European markets, including Central and Eastern Europe.

Our consolidated sales revenues for three months of 2015 amounted to PLN 836 million.

Arctic Paper SA is a holding company established in April 2008. As a result of capital restructuring carried out in 2008, the paper mills Arctic Paper Kostrzyn (Poland) and Arctic Paper Munkedals (Sweden), Distribution Companies and Sales

Offices have become the properties of Arctic Paper SA. Previously they were owned by Arctic Paper AB (current name Trebruk AB), the parent company of the Issuer. In addition, under the expansion, the Group acquired paper mill Arctic Paper Mochenwangen (Germany) in November 2008 and paper mill Grycksbo (Sweden) in March 2010. In 2012, Arctic Paper S.A. acquired shares in Rottneros AB, a company listed on NASDAQ in Stockholm, Sweden, and owning two pulp companies (Sweden).

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

Condensed quarterly consolidated financial statements of the Company comprise income statement, statement of comprehensive income, cash flow statement and statement of changes in equity for the period of first three months ended 31st March 2015 and includes comparative data for the period of first three months ended 31st March 2014 as well as for the twelve months' period ended 31st December 2014.

Condensed quarterly consolidated financial statements of the Company comprise also balance sheet as on 31st March 2015 and includes comparative data as on 31st December 2014 and 31st March 2014.

### Business activities

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

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

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

- Heat production,
- Heat distribution,
- Logistics services,
- Paper distribution.

## Shareholding structure

Nemus Holding AB, a company under Swedish law, is the majority shareholder of Arctic Paper S.A., holding (as on 31st March 2015) 41,356,449 shares of the Company, which constitute 59.69% of its share capital and representing 59.69% of total number of votes in the Shareholders Meeting. Thus Nemus Holding AB is the parent entity of the Issuer.

Moreover, Mr. Thomas Onstad, an indirect shareholder of Nemus Holding AB, holds 5,848,658 Shares constituting 8.44% of total number of the Company's shares.

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

## 2. Composition of the Group

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

Entity	Registered office	Business activities	The Groups' share in equity of subsidiaries as at		
			15 May 2015	31 March 2015	31 December 2014
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%	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, Am Sandtorkai 72, D-20457 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, Via Cavriana 7, 20 134 Milano	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, Ørestads Boulevard 73 2300 København	Trading services	100%	100%	100%

Entity	Registered office	Business activities	The Groups' share in equity of subsidiaries as at		
			15 May 2015	31 March 2015	31 December 2014
Arctic Paper France SAS	France, 43 rue de la Breche aux Loups, 75012 Paris	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, Hainbergerstrasse 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%
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 Paper Finance AB (previous Arctic Energy Sverige AB)	Sweden, Box 383, 401 26 Göteborg	Holding company	100%	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%	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%	100%	100%
Rottneros AB	Sweden, Vallvik	Holding company	51,27%	51,27%	51,27%
Rottneros Bruk AB	Sweden, Sunne	Pulp production	51,27%	51,27%	51,27%
Utansjo Bruk AB	Sweden, Harnosand	Dormant activity	51,27%	51,27%	51,27%
Vallviks Bruk AB	Sweden, Vallvik	Pulp production	51,27%	51,27%	51,27%
Rottneros Packaging AB	Sweden, Stockholm	Food packaging production	51,27%	51,27%	51,27%
SIA Rottneros Baltic	Latvia	Company for purchase of timber	51,27%	51,27%	51,27%

\* - formed for the purpose of acquisition of Arctic Paper Mochenwangen GmbH

\*\* - formed for the purpose of acquisition of Grycksbo Paper Holding AB

As on 31st March 2015 and as well as on the day of publishing of the hereby report, the percentage of voting rights held by

the Group in subsidiaries corresponds to the percentage held in the share capital of those entities. All subsidiaries within the

Group are consolidated under the full method from the day of obtaining control by the Group and cease to be consolidated from the day the control has been transferred out of the Group.

On 1st October 2012, Arctic Paper Munkedals AB purchased 50% of shares in Kalltorp Kraft Handelsbolaget seated in

Trolhattan, Sweden. Kalltorp Kraft deals in energy production in the owned hydro-power plant. The purpose of the purchase was realization of the strategy of increasing own energy capacities. The shares in Kalltorp Kraft have been recognized as joint arrangement and measured at ownership rights.

### 3. Management and supervisory bodies

#### 3.1. Management Board of the Parent Company

As on 31st March 2015, the following persons constituted the Parent Company's Management Board:

- Wolfgang Lübbert – President of the Management Board appointed on 27th November 2013 (appointed as a Member of the Management Board on 5th June 2012);
- Jacek Łoś – Member of the Management Board appointed on 27th April 2011;
- Per Skoglund – Member of the Management Board appointed on 27th April 2011;
- Małgorzata Majewska - Śliwa – Member of the Management Board appointed on 27th November 2013;
- Michał Sawka – Member of the Management Board appointed on 12th February 2014.

Until the date of publishing of the hereby report, there were no changes in the composition of the Management Board of the Parent Company.

#### 3.2. Supervisory Board of the Parent Company

As on 31st March 2015, the following persons constituted the Parent Company's Supervisory Board:

- Rolf Olof Grundberg – President of the Supervisory Board appointed on 30th April 2008;
- Rune Roger Ingvarsson – Member of the Supervisory Board appointed on 22nd October 2008;
- Thomas Onstad – Member of the Supervisory Board appointed on 22nd October 2008;
- Mariusz Grendowicz – Member of the Supervisory Board appointed on 28th June 2012;
- Dariusz Witkowski – Member of the Supervisory Board appointed on 24th October 2013.
- Roger Mattsson – Member of the Supervisory Board appointed on 16th September 2014.

Until the date of publishing of the hereby report, there were no changes in the composition of the Supervisory Board of the Parent Company.

#### 3.3. Audit Committee of the Parent Company

As on 31st March 2015, the following persons constituted the Parent Company's Audit Committee:

- Rolf Olof Grundberg – President of the Audit Committee appointed on 20th February 2013;
- Rune Ingvarsson – Member of the Audit Committee appointed on 20th February 2013;
- Mariusz Grendowicz – Member of the Audit Committee appointed on 20th February 2013

Until the date of publishing of the hereby report, there were no changes in the composition of the Audit Committee of the Parent Company.

#### 4. Approval of the financial statements

The hereby interim quarterly condensed consolidated financial statements were approved for publishing by the Management Board on 13th May 2015.

#### 5. Basis of preparation of consolidated financial statements

The hereby 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.

The hereby 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 condensed consolidated financial statements have been prepared based on the assumption that the Group's

companies will continue as going concern in the foreseeable future. As on the day of authorization of the hereby financial statements, no premises have been found to indicate any threat to continuation of business operations of the Group's companies.

Interim condensed consolidated financial statements do not include all the information and disclosures required in annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31st December 2014.

#### 6. Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December 2014, except for the following application of changes in standards and new interpretations binding for yearly periods beginning on 1st January 2015.

- IFRIC 21 Levies (published on 20th May 2013) – effective for annual periods beginning on or after 1st January 2014; within the EU, effective at the latest for annual periods beginning on or after 17th June 2014,
- Amendments resulting from review of IFRS 2011-2013 (published on 12th December 2013) – effective for annual

periods beginning on or after 1st July 2014; within the EU, effective at the latest for annual periods beginning on or after 1st January 2015.

The adoption of the aforementioned changes to standards did not cause changes of the comparative data.

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 income or financial costs or under capitalized cost of assets, based on defined examples in accounting policy. Non-monetary foreign currency assets and liabilities recognized at historical cost are translated at the historical foreign exchange rate prevailing on the transaction date. Non-monetary foreign currency assets and liabilities recognized at fair value are translated into Polish zloty using the rate of exchange binding as on the date of re-measurement to fair value.

The functional currencies of the foreign subsidiaries are EUR, SEK, LVL, DKK, NOK, GBP and CHF. As on the reporting date, the assets and liabilities of these subsidiaries are

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

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

The following exchange rates were used for valuation purposes:

	As at 31 March 2015	As at 31 December 2014
USD	3,8125	3,5072
EUR	4,0890	4,2623
SEK	0,4410	0,4532
DKK	0,5474	0,5725
NOK	0,4701	0,4735
GBP	5,6295	5,4648
CHF	3,9110	3,5447

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

	01/01 - 31/03/2015	01/01 - 31/03/2014
USD	3,7277	3,0551
EUR	4,1929	4,1858
SEK	0,4472	0,4726
DKK	0,5629	0,5609
NOK	0,4804	0,5013
GBP	5,6444	5,0560
CHF	3,9256	3,4211

## 6.2. Data comparability

In the period of first three months ended 31st March 2015, no changes in accounting policies occurred which would have caused changes of the comparative data.

## 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. In connection with the acquisition of Rottneros Group in December 2012, including two pulp mills, Arctic Paper Group has broadened its business operations with production of pulp.

The Group identifies the following business segments:

- Uncoated paper – paper for printing or other graphic purposes, including wood-free and wood-containing. Uncoated wood-free paper can be produced from various types of pulp, with different filler content, and can undergo various finishing enhancing processes, such as surface sizing and calendering. Two main categories of this type of paper are graphic paper (used for example for printing books and catalogues) and office papers (for instance, photocopy paper, however the Group currently does not produce office papers. Uncoated paper from mechanical pulp intended for printing or other graphic purposes. This type of paper is used for printing magazines with the use of rotogravure or offset printing techniques. The Group's products in this segment are usually used for printing paperbacks.
- Coated paper - wood-free paper for printing or other graphic purposes, one-side or two-side coated with mixtures containing mineral pigments, such as china clay, calcium carbonate, etc. The coating process can involve different methods, both online and offline, and can be supplemented by super-calendering to ensure a smooth surface. Coating improves the printing quality of photographs and illustrations.

- Pulp - fully bleached sulphate pulp and unbleached sulphate pulp which is used mainly for production of printing and writing papers, cardboard, toilet paper and white packaging paper as well as chemithermomechanical pulp and groundwood which are used mainly for production of printing and writing papers,
- Other – this segment contains results of Arctic Paper S.A. and Arctic Paper Finance AB business operations.

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

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

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 mainly 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 three months' period ended 31st March 2015 and represents the situation as on 31st March 2015.

### Three months' period ended 31st March 2015 and as on 31st March 2015

	Continuing Operations					Eliminations	Total Group
	Uncoated	Coated	Pulp	Other	Total		
<b>Revenues</b>							
Sales to external customers	477 246	166 623	192 370	-	836 240	-	836 240
Inter-segment sales	-	5 639	15 678	10 421	31 738	(31 738)	-
<b>Total segment revenues</b>	<b>477 246</b>	<b>172 263</b>	<b>208 048</b>	<b>10 421</b>	<b>867 978</b>	<b>(31 738)</b>	<b>836 240</b>
<b>Segment's Result</b>							
EBITDA	22 191	(7 810)	52 555	1 564	68 499	315	68 815
Interest Income	2 432	38	0	550	3 021	(2 812)	209
Interest Costs	(4 347)	(1 681)	-	(3 272)	(9 300)	3 492	(5 809)
Depreciation/amortization	(16 620)	(6 655)	(7 864)	(65)	(31 204)	-	(31 204)
Positive FX and other financial income	0	-	-	939	939	(939)	0
Negative FX and other financial costs	(6 397)	(2 411)	(447)	(1)	(9 257)	1 037	(8 220)
<b>Profit before tax</b>	<b>(2 741)</b>	<b>(18 519)</b>	<b>44 244</b>	<b>(285)</b>	<b>22 699</b>	<b>1 093</b>	<b>23 792</b>
Segment assets	1 209 173	327 634	476 285	279 766	2 292 858	(540 516)	1 752 342
Segment liabilities	821 067	374 848	121 275	312 619	1 629 810	(572 224)	1 057 586
Capital expenditures	(10 388)	(545)	(1 789)	(172)	(12 893)	-	(12 893)

- Revenues from inter-segment transactions are excluded on consolidation.
- Segment result does not include financial income (PLN 209 thousand of which PLN 209 thousand is interest income) and financial costs (PLN 14,028 thousand of which PLN 5,809 thousand is interest costs), amortization and depreciation (PLN 31,204 thousand), as well as income tax charges (PLN 10,946 thousand). However, segment result includes inter-segment sales loss (PLN 315 thousand).
- Segment assets and liabilities do not include deferred tax asset and liability (deferred tax asset of PLN 53,319 thousand, deferred tax liability of PLN -15,068 thousand) as these positions are managed in the Group level. Segment assets do not also include investments in companies from within the Group.

In the table below presented is the data concerning revenues and profits as well as some of the assets and liabilities. The data is divided to particular segments of the Group and refers to three months' period ended 31st March 2014 and represents the situation as on 31st March 2014.

### Three months' period ended 31st March 2014 and as on 31st March 2014

	Continuing Operations					Eliminations	Total Group
	Uncoated	Coated	Pulp	Other	Total		
<b>Revenues</b>							
Sales to external customers	453 662	172 554	178 276	-	804 492	-	804 492
Inter-segment sales	6 393	11 423	9 600	9 302	36 718	(36 718)	-
<b>Total segment revenues</b>	<b>460 055</b>	<b>183 977</b>	<b>187 876</b>	<b>9 302</b>	<b>841 210</b>	<b>(36 718)</b>	<b>804 492</b>
<b>Segment's Result</b>							
EBITDA	26 309	3 964	16 353	2 822	49 448	(1 059)	48 389
Interest Income	2 936	19	0	580	3 536	(3 410)	126
Interest Costs	(6 464)	(1 914)	(473)	(2 714)	(11 564)	4 097	(7 468)
Depreciation	(14 463)	(6 891)	(7 684)	(26)	(29 064)	-	(29 064)
Positive FX and other financial income	395	175	-	185	756	(185)	571
Negative FX and other financial costs	(934)	(37)	-	(301)	(1 271)	185	(1 086)
<b>Profit/(Loss) before tax</b>	<b>7 780</b>	<b>(4 683)</b>	<b>8 197</b>	<b>548</b>	<b>11 841</b>	<b>(373)</b>	<b>11 468</b>
Segment assets	1 241 412	343 207	416 764	204 956	2 206 339	(507 809)	1 698 530
Segment liabilities	887 999	368 199	147 351	214 999	1 618 548	(552 033)	1 066 514
Capital expenditures	(5 919)	(2 821)	(4 253)	(161)	(13 154)	-	(13 154)

- Revenues from inter-segment transactions are excluded on consolidation.
- Segment result does not include financial income (PLN 696 thousand of which PLN 126 thousand is interest income) and financial costs (PLN 8,553 thousand of which PLN 7,468 thousand is interest costs), amortization and depreciation (PLN 29,064 thousand), as well as income tax charges (PLN 2,560 thousand). However, segment result includes inter-segment sales profit (PLN 1,059 thousand).
- Segment assets and liabilities do not include deferred tax asset and liability (deferred tax asset of PLN 63,551 thousand, deferred tax liability of PLN -28,362 thousand) as these positions are managed in the Group level. Segment assets do not also include investments in companies from within the Group.

In the table below presented is the data concerning revenues and profits as well as some of the assets and liabilities. The data is divided to particular segments of the Group and refers to twelve months' period ended 31st December 2014 and represents the situation as on 31st December 2014.

#### Twelve months' period ended 31st December 2014 and as on 31st December 2014

	Continuing Operations					Eliminations	Total Group
	Uncoated	Coated	Pulp	Other	Total		
<b>Revenues</b>							
Sales to external customers	1 721 483	673 839	704 041	-	3 099 364	-	3 099 364
Inter-segment sales	19 983	42 764	43 308	37 543	143 597	(143 597)	-
<b>Total segment revenues</b>	<b>1 741 466</b>	<b>716 603</b>	<b>747 349</b>	<b>37 543</b>	<b>3 242 961</b>	<b>(143 597)</b>	<b>3 099 364</b>
<b>Segment's Result</b>							
EBITDA	117 531	24 337	92 469	4 666	239 003	(463)	238 540
Interest Income	10 342	155	0	2 350	16 842	(12 062)	1 139
Interest Costs	(23 049)	(7 138)	(1 380)	(11 286)	(82 654)	14 778	(27 825)
Depreciation/amortization	(61 222)	(26 847)	(33 744)	(110)	(225 544)	-	(121 521)
Impairments of non-current assets			-		(118 041)		(102 981)
Positive FX and other financial income	97	-	-	871	969	(909)	117
Negative FX and other financial costs	(9 249)	(2 002)	-	(1 148)	(13 692)	866	(4 509)
<b>Profit before tax</b>	<b>34 451</b>	<b>(11 496)</b>	<b>57 345</b>	<b>(4 656)</b>	<b>75 644</b>	<b>2 211</b>	<b>77 854</b>
Segment assets	1 234 380	322 964	451 870	238 909	2 248 124	(544 631)	1 703 493
Segment liabilities	849 377	366 441	130 975	271 741	1 618 534	(594 773)	1 023 760
Capital expenditures	(39 751)	(5 133)	(23 923)	(45)	(68 853)	-	(68 853)

- Revenues from inter-segment transactions are excluded on consolidation.
- Segment result does not include financial income (PLN 844 thousand of which 785 PLN is interest income) and financial costs (PLN 39,608 thousand of which PLN 28,076 thousand is interest costs), amortization and depreciation (PLN 121,922 thousand), impairment of non-financial assets (PLN 0 thousand), as well as income tax charges (PLN +320 thousand). However, segment result includes inter-segment sales profit (PLN 463 thousand).
- Segment assets and liabilities do not include deferred tax asset and liability (deferred tax asset of PLN 54,259 thousand, deferred tax liability of PLN 13,959 thousand) as these positions are managed in the Group level. Segment assets do not also include investments in companies from within the Group

## 9. Dividend paid and proposed

Dividend is paid based on the net profit presented in 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 share premium to finance possible losses. At least 8% of the profit for the financial year shown in the standalone financial statements of the 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 share premium and reserve capital is determined by the Shareholders Meeting; however, the part of share premium 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 the hereby financial statements, 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 the annual report for 2014.

By the power of the Annex no 3 dated 20th December 2013 to the Loan Agreement dated 6th November 2012 concluded by Arctic Paper S.A. together with its subsidiaries, i.e. Arctic Paper Kostrzyn S.A., Arctic Paper Investment GmbH and Arctic Paper Mochenwangen GmbH and the consortium of banks (Bank Pekao S.A., Bank Zachodni WBK S.A. and mBank S.A.), Arctic Paper S.A. bound itself not to declare or pay dividend when a breach of the agreement occurred or in case declaration or payment of dividend would have caused a breach of the agreement.

In the first quarter of 2015, Shareholders Meeting did not decide for distribution of profit and dividend payment.

## 10. Earnings per share

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

Information regarding 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 31 March 2015 (unaudited)	3 months period ended 31 March 2014 (unaudited)
Net profit (loss) for the period from continuing operations attributable to equity holders of the parent	(3 652)	5 702
Profit (loss) for the period from discontinued operations attributable to equity holders of the parent	-	-
Net profit (loss) for the period attributable to equity holders of the parent	(3 652)	5 702
Number of shares - A series	50 000	50 000
Number of shares - B series	44 253 500	44 253 500
Number of shares - C series	8 100 000	8 100 000
Number of shares - E series	3 000 000	3 000 000
Number of shares - F series	13 884 283	13 884 283
Total number of shares (in thousand)	69 287 783	69 287 783
Weighted average number of shares	69 287 783	69 287 783
Weighted average diluted number of shares	69 287 783	69 287 783
Profit/(Loss) per share (in PLN)	(0,05)	0,08
Diluted profit/(loss) per share (in PLN)	(0,05)	0,08

In the first quarter of 2015, the Group achieved net profit in the amount of PLN 12,846 thousand. A portion of net profit attributable to shareholders of Arctic Paper S.A. is a net loss of PLN 3,652 thousand. Net profit of the Group results mainly from net profit achieved by Rottneros Group in the first quarter of 2015, of which 51.3% is attributable to shareholders of Arctic Paper S.A.

Since net profit achieved by Rottneros Group and attributable to shareholders of Arctic Paper S.A. was lower than total net loss achieved by the other companies of Arctic Paper Group, as a result the net loss for the first quarter of 2015 is attributable to shareholders of Arctic Paper.

## 11. Interest-bearing loans and borrowings

In the period covered by the hereby financial statements, the Group performed partial payment of its debt under temporary credit resulting from the loan agreement concluded in November 2012 with a consortium of banks (Bank Polska Kasa Opieki S.A., Bank Zachodni WBK S.A. and mBank S.A) in the amount of PLN 8,688 thousand and full payment of the debt in Danske Bank in the amount of PLN 13,415 thousand.

The Company increased its debt under overdrafts towards the aforementioned consortium of banks, as well as Svenska Handelsbanken in the amount of PLN 8,266 thousand.

Other changes in loans and borrowings as on 31st March 2015, compared to 31st December 2014 result mainly from balance sheet evaluation.

## 12. Equity securities

	As at 31 March 2015 (unaudited)	As at 31 December 2014 (audited)
A series ordinary shares of PLN 1 each	50	50
B series ordinary shares of PLN 1 each	44 254	44 254
C series ordinary shares of PLN 1 each	8 100	8 100
E series ordinary shares of PLN 1 each	3 000	3 000
F series ordinary shares of PLN 1 each	13 884	13 884
	69 288	69 288

	Date of registration of capital increase	Volume	Value in PLN
Ordinary shares issued and fully covered			
Issued on 30 April 2008	2008-05-28	50 000	50 000
Issued on 12 September 2008	2008-09-12	44 253 468	44 253 468
Issued on 20 April 2009	2009-06-01	32	32
Issued on 30 July 2009	2009-11-12	8 100 000	8 100 000
Issued on 01 March 2010	2010-03-17	3 000 000	3 000 000
Issued on 20 December 2012	2013-01-09	10 740 983	10 740 983
Issued on 10 January 2013	2013-01-29	283 947	283 947
Issued on 11 February 2013	2013-03-18	2 133 100	2 133 100
Issued on 6 March 2013	2013-03-22	726 253	726 253
As at 31 March 2015 (unaudited)		69 287 783	69 287 783

## 13. Financial instruments

The Company has the following financial instruments: cash at hand and in bank accounts, bank loans, borrowings, receivables, liabilities of financial leases, SWAP interest

contracts, forward foreign exchange contracts, and forward contracts for the purchase of electricity.

### 13.1. Hedge accounting

In order to reduce the volatility of the projected cash flows related to foreign exchange risk, the Group companies use currency hedging based on the use of derivatives related to foreign exchange market. They include, in particular, forward contracts. Moreover, in order to reduce the changeability of future prices of electricity, Swedish Paper Mills and Pulp Mills use forward contracts for electricity purchases, while Arctic Paper Kostrzyn concluded SWAP interest contracts in order to reduce the changeability of future expenses on the grounds of interest on loans.

As on 31st March 2015, 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 a portion of foreign currency inflows in EUR, connected with export sales, as well as purchase of USD and PLN, and a SWAP derivative in order to hedge repayments of interest in EUR on the bank loan in EUR and to hedge repayments of interest in PLN on the bank loan in PLN.

- Arctic Paper Munkedals AB, Arctic Paper Grycksbo AB and the companies of Rottneros Group designated for cash flow hedge accounting the forward derivatives in order to hedge the future purchases of electricity.
- The Companies of Rottneros Group designated for cash flow hedge accounting the FX forward derivatives in order to hedge a part of currency expenditures in EUR related to future purchases of electricity.
- The Companies of Rottneros Group and Arctic Paper Grycksbo AB designated for cash flow hedge accounting the FX forward derivatives in order to hedge a part of currency intakes in EUR related to export sales.

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

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

Hedge type	Hedging the cash flow variations related to the planned sales in foreign currencies
Hedge item	Hedged item is a part of the future highly probable 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	2 015
Delivery date	depending on the contract, until 29.12.2015
Hedged amount	31.7 mln EURO
Forward ratio	from 1.0731 to 1.1802 EUR/USD

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

Hedge type	Hedging the cash flow variations related to the planned purchases of electricity in foreign currencies
Hedge item	Hedged item is a part of the future highly probable cash flows resulting from purchases of electricity denominated in EURO
Hedging instruments	Hedging instruments are FX forward transactions in which the Company commits to purchase EUR for SEK
Forward contract parameters	
Trade date	2013 and 2014
Delivery date	depending on the contract, until 31.12.2016
Hedged amount	4.2 mln EUR
Forward ratio	9.07 EUR/SEK

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

Hedge type	Hedging the cash flow variations related to the planned sales in foreign currencies
Hedge item	Hedged item is a part of the future highly probable cash flows resulting from export sales
Hedging instruments	Hedging instruments are FX forward transactions in which the Company commits to sell EUR for SEK
Forward contract parameters	
Trade date	2014 and 2015
Delivery date	depending on the contract, until 31.12.2016
Hedged amount	8.5 mln EUR
Forward ratio	from 9.1700 to 9.4838 EUR/SEK

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 a part of the future highly probable 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	2 015
Delivery date	depending on the contract, until 29.12.2015
Hedged amount	9.0 mln EUR
Forward ratio	from 4.2150 to 4.2944 EUR/PLN

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

Hedge type	Hedging the cash flow variations related to the planned sales in foreign currencies
Hedge item	Hedged item is a part of the future highly probable cash flows resulting from export sales
Hedging instruments	Hedging instruments are FX forward transactions in which the Company commits to sell USD for SEK
Forward contract parameters	
Trade date	2 015
Delivery date	depending on the contract, until 31.12.2015
Hedged amount	7.0 mln USD
Forward ratio	8.7200



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

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

Hedge type	Hedging the cash flow variations related to electricity purchases
Hedge item	Hedged item is a part of the future highly probable cash flows resulting from electricity purchases
Hedging instruments	Hedging instruments are forward transactions for electricity purchases on the Nord Pool Stock Exchange
Forward contract parameters	
Trade date	depending on the contract, since 01.05.2009
Delivery date	depending on the contract, until 31.12.2016
Hedged amount	594.000 MWh
Forward price	from 27.45 to 42.40 EUR/MWh

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

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

Hedge type	Hedging the cash flow variations related to flexible rate interest on bank loan denominated in EURO
Hedge item	Hedged item is future cash flows in EUR resulting from payment of interest calculated based on 3M EURIBOR on bank loan denominated in EURO
Hedging instruments	Hedging instrument is a SWAP transaction in which the Company declares to pay interest in EUR on bank loan denominated in EUR based on a fixed rate
Forward contract parameters	
Trade date	28.12.2012 and 04.03.2013
Delivery date	each interest payment date based on bank loan agreement schedule, until 7.11.2017
Hedged amount	the amount of interest according to payment schedule of a bank loan of EUR 10.8 million
SWAP interest rate	0,69% and 0,78%

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

Hedge type	Hedging the cash flow variations related to flexible rate interest on bank loan denominated in PLN
Hedge item	Hedged item is future cash flows in PLN resulting from payment of interest calculated based on 3M WIBOR on bank loan denominated in PLN
Hedging instruments	Hedging instrument is a SWAP transaction in which the Company declares to pay interest in PLN on bank loan denominated in PLN based on a fixed rate
Forward contract parameters	
Trade date	07.03.2013
Delivery date	each interest payment date based on bank loan agreement schedule, until 7.11.2017
Hedged amount	the amount of interest according to payment schedule of the bank loans of PLN 38.8 million and PLN 34.8 million
SWAP interest rate	3,71%

The table below presents fair value of hedging instruments in cash flow hedge accounting as on 31st March 2015 and the comparative data:

	As at 31 March 2015		As at 31 December 2014	
	(unaudited)	(unaudited)	(audited)	(audited)
	Assets	Liabilities	Assets	Liabilities
FX forward	6 660	-	906	-
SWAP	-	2 828	-	2 966
Electricity forward	-	14 704	-	13 739
Total hedging derivatives	6 660	17 532	906	16 705

## 14. Financial risk management objectives and policies

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

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

The Group has various other financial instruments such as trade receivables and liabilities, which arise directly from

operations, as well as short-term deposits. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Management Board reviews and agrees policies for managing each of these risks.

In the opinion of the Management Board – in comparison to the annual consolidated financial statements prepared as on 31st December 2014 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 the risk.

## 15. 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 operations and maximize shareholder value.

In the Management Board's opinion – in comparison to the annual consolidated financial statements prepared as on 31st December 2014 there have been no significant changes in the objectives and policies of capital management.

## 16. Contingent liabilities and contingent assets

As on 31st March 2015, the Capital Group reported:

- a contingent liability on the grounds of a guarantee for FPG in favor of mutual life insurance company FRI in the amount of SEK 1,477 thousand (PLN 651 thousand) in Arctic Paper Grycksbo AB and of SEK 747 thousand (PLN 329 thousand) in Arctic Paper Munkedals AB;
- a contingent liability of Arctic Paper Munkedals AB on the grounds of a guarantee for Kalltorp Kraft HB liabilities in the amount of SEK 3,265 thousand (PLN 1,440 thousand);
- a bank guarantee in favor of Skatteverket Ludvika in the amount of SEK 135 thousand (PLN 60 thousand);
- guarantees granted by the companies of Rottneros Group in the total amount of SEK 3,000 thousand (PLN 1,323 thousand),
- a guarantee in favor of Södra Cell International AB, the supplier of pulp, in the amount of SEK 12,000 thousand (PLN 5,292 thousand),
- a guarantee in favor of WBW GmbH & Co.KG – a supplier of machines for Arctic Paper Mochenwangen GmbH in the amount of EUR 300 thousand (PLN 1,227 thousand), which expires on 31st March 2015;

## 17. Legal claims

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

## 18. CO2 emission rights

Arctic Paper Kostrzyn S.A., Arctic Paper Munkedals AB, Arctic Paper Grycksbo AB and Arctic Paper Mochenwangen GmbH, as well as the companies of Rottneros Group, are all part of the European Union Emission Trading Scheme. The previous

trading period lasted from 1st January 2008 to 31st December 2012. New allocation covers the period of 1st January 2013 – 31st December 2020.

The tables below specify the allocation for years 2013-2020 and the usage of emission rights by each of the five entities in 2013, 2014 and the first quarter of 2015.

(in tonnes) for Arctic Paper Kostrzyn S.A.	2013	2014	2015	2016	2017	2018	2019	2020
Amount granted	108 535	105 434	102 452	99 840	97 375	94 916	92 454	90 009
Amount unused from previous years	348 490	306 448	263 932	-	-	-	-	-
Amount used	(150 577)	(147 950)	(41 283)					
Amount purchased	-	-	-					
Amount sold	-	-	-					
Amount unused	306 448	263 932	325 101					

(in tonnes) for Arctic Paper Munkedals AB	2013	2014	2015	2016	2017	2018	2019	2020
Amount granted	44 238	43 470	42 692	41 907	41 113	40 311	39 499	38 685
Amount unused from previous years	24 305	67 262	107 325					
Amount used	(1 281)	(3 407)	(4 696)					
Amount purchased	-	-	7					
Amount sold	-	-	(100 000)					
Amount unused	67 262	107 325	45 328					

(in tonnes) for Arctic Paper Mochenwangen GmbH	2013	2014	2015	2016	2017	2018	2019	2020
Amount granted	112 141	76 733	37 350	36 663	35 969	35 267	34 557	33 844
Amount unused from previous years	(78 861)	1 398	3					
Amount used	(110 743)	(101 723)	(353)					
Amount purchased	78 861	128 700	30 000					
Amount sold	-	(105 105)	-					
Amount unused	1 398	3	67 000					

(in tonnes) dla Arctic Paper Grycksbo AB	2013	2014	2015	2016	2017	2018	2019	2020
Amount granted	77 037	75 689	74 326	72 948	71 556	70 151	68 730	67 304
Amount unused from previous years	69 411	111 448	734					
Amount used	-	-	-					
Amount purchased	-	-	19 504					
Amount sold	(35 000)	(186 403)	(19 504)					
Amount unused	111 448	734	75 060					

(in tonnes) for Rottneros' subsidiaries	2013	2014	2015	2016	2017	2018	2019	2020
Amount granted	30 681	30 484	31 023	31 023	31 023	31 023	31 023	31 023
Amount not used in previous years	72 888	90 522	101 986					
Amount used	(13 047)	(19 020)	(7 229)					
Amount purchased	-	-	-					
Amount sold	-	-	-					
Amount unused	90 522	101 986	125 780					

\* - the amounts for 2016 and further years may be adjusted based on the amendments to the Regulation of The Council of Ministers on the list of installations other than producing electricity, covered with the trading scheme of greenhouse gas emission rights in settlement period starting 1st January 2013, together with the number of allocated emission rights

## 19. Government grants and operations in Special Economic Zone

### 19.1. Government grants

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 ceases to conduct business operations in the KSSSE for which it obtained the permission,
- Arctic Paper Kostrzyn severely violates the conditions of the permission,
- Arctic Paper Kostrzyn 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,
- Arctic Paper Kostrzyn 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,
- Arctic Paper Kostrzyn receives compensation, in any form, of the investment expenditure incurred,
- Arctic Paper Kostrzyn 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.

During the period from 25th August 2006 to 31st March 2015, Arctic Paper Kostrzyn incurred investment expenditure classified as expenditure of the SEZ in the amount of PLN 197,917 thousand. During this period, the discounted amount of public assistance used was PLN 51,937 thousand.

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

The amount of deferred tax asset recognized on the expenditures incurred in SEZ as on 31st March 2015 amounted to PLN 14,421 thousand.

## 20. Significant events after balance sheet date

After the balance sheet date, there were no other significant events, which have not been disclosed in this report, which might have had a material influence on the capital and financial position of the Group.

Signatures of Members of the Management Board

Position	Name and surname	Date	Signature
President of the Management Board Chief Executive Officer	Wolfgang Lübbert	13 May 2015	
Member of the Management Board Chief Financial Officer	Małgorzata Majewska-Śliwa	13 May 2015	

Headquarters

**Arctic Paper S.A.**

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

**Investor relations:**

[ir@arcticpaper.com](mailto:ir@arcticpaper.com)

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Branch in Sweden:

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

