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ARCTIC PAPER S.A. CAPITAL GROUP
Consolidated quarterly report
first quarter of the year 2014

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 2014 was prepared in accordance with the Minister of Finance Regulation of 19th February 2009 concerning current and periodical information submitted by issuers of securities and terms and conditions of classifying as equivalent information required by the law of a non-member state (Journal of Laws of 2009 no. 33, item 259, as amended) and the part of interim condensed consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), in particular in accordance with International Accounting Standard no 34 and IFRS approved by the EU. IFRS comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the

International Financial Reporting Interpretations Committee ("IFRIC"). Interim condensed consolidated financial statements does not comprise all information and disclosures required in the annual consolidated financial statements which is subject to obligatory audit and therefore it should be read in conjunction with the consolidated financial statements of the Group for the year ended 31st December 2013.

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

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

Definitions and abbreviations

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

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

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

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

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

Definitions of selected terms and financial indicators and abbreviations of currencies

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

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

Other definitions and abbreviations

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

Series F Shares	13,884,283 Arctic Paper S.A. Series F shares with a par value of 1 PLN each
Shares, Stock, Issuer's Shares, Issuer's Stock	Series A, Series B, Series C, Series E and Series F Shares jointly

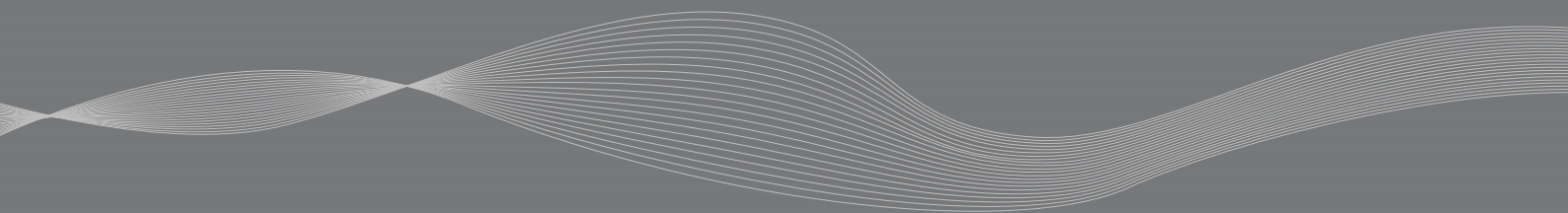
Forward looking statements

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

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



Management's Board report on the operations of
Arctic Paper S.A. Capital Group
to the report for the first quarter of the year 2014



Arctic Paper Group profile

General information

The Arctic Paper Group is the second-largest European producer of bulky book paper in terms of production volume, offering the largest product assortment in this segment, and one of Europe's leading producers of fine graphic paper. The Group produces numerous types of uncoated and coated wood-free paper, as well as wood-containing uncoated paper for printing houses, paper distributors, book and magazine publishing houses and the advertising industry. In connection with the acquisition of Rottneros Group in December 2012, our assortment was broadened with production of pulp. As on the day of publishing of this report, the Arctic Paper Group employs nearly 1,800 people in four paper mills, two pulp mills, fifteen companies dealing in paper distribution and sales, and a company dealing in 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 410,000 tons per year. The Group has three Distribution Companies which handle sales, distribution and marketing of products offered by the Group in Scandinavia and twelve Sales Offices providing access to all European markets, including Central and Eastern Europe. The Group's consolidated sales revenue for the first quarter of 2014 totaled PLN 804 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 2014, as well as on the day of publishing of the hereby report, the Group has owned the following paper mills:

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

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

As on 31st March 2014, as well as on the day of publishing of the hereby report, the Group has owned the following pulp mills:

- the pulp mill in Rottneros (Sweden) has the annual production capacities of app. 170,000 tons and mainly produces two types of fibrous mechanical pulp: groundwood and CTMP;
- the pulp mill in Vallvik (Sweden) has the annual production capacities of app. 240,000 tons and produces two types of long-fiber sulphate pulp: fully bleached sulphate pulp and unbleached sulphate pulp.

The most of Vallvik pulp mill production is known as NBSK pulp. The unbleached sulphate pulp produced by the mill is characteristic of high levels of purity. The high quality of this pulp, which has been achieved over the years, made Vallvik the global leader in deliveries of this type of pulp, which is used, among other, in production of power transformers and cable industry.

Our products

The assortment of Arctic Paper Group's products has not changed in 2014 and includes:

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

The detailed description of the Group's products is included in the consolidated annual report for 2013.

Capital Group structure

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

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

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

Changes in the capital structure of the Arctic Paper Group

On 1st January 2014, a sales agreement concluded on 29th October 2013 came into force. Under the agreement Arctic

Paper S.A. acquired 100% shares in Arctic Paper Deutschland GmbH from Arctic Paper Investment GmbH.

In the first quarter of 2014, no other changes in capital structure of the Group occurred.

Shareholding structure

The main shareholder of Arctic Paper S.A. is Trebruk AB, a company under Swedish law, holding as on 31st March 2014 41,360,449 Shares of the Company constituting 59.69% of share capital of the Company and corresponding to 59.69% of

total number of votes in Shareholders Meeting. Thus Trebruk AB is the parent company of the Issuer. Moreover, Nemus Holding AB, holder of 5,863,658 Shares constituting 8.46% of total number of Shares, is a parent company of Trebruk AB.

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

Shareholder	as at 15.05.2014				as at 21.03.2014			
	Number of shares	Share capital [%]	Number of votes	Of total number of votes [%]	Number of shares	Share capital [%]	Number of votes	Of total number of votes [%]
Trebruk AB	41 360 449	59,69%	41 360 449	59,69%	41 360 449	59,69%	41 360 449	59,69%
Nemus Holding AB	5 863 658	8,46%	5 863 658	8,46%	5 857 286	8,45%	5 857 286	8,45%
Others	22 063 676	31,84%	22 063 676	31,84%	22 070 048	31,85%	22 070 048	31,85%
Total	69 287 783	100,00%	69 287 783	100,00%	69 287 783	100,00%	69 287 783	100,00%
Own shares	-	0,00%	-	0,00%	-	0,00%	-	0,00%
Total	69 287 783	100,00%	69 287 783	100,00%	69 287 783	100,00%	69 287 783	100,00%

Data in the above table is given as on the date of publishing of the hereby report and as on the date of publishing of the annual report for 2013.

Summary of consolidated financial results

Consolidated income statement

Selected items of the consolidated income statement

	1Q	4Q	1Q	YTD 1Q	YTD 1Q	Change %	Change %	Change %
PLN thousands	2014	2013	2013	2014	2013	1Q'2014/ 4Q'2013	1Q'2014/ 1Q'2013	YTD1Q'2014/ YTD1Q'2013
Revenues	804 492	734 894	822 339	804 492	822 339	9,5	(2,2)	(2,2)
including:								
Sales of paper	626 216	579 562	656 968	626 216	656 968	8,0	(4,7)	(4,7)
Sales of pulp	178 276	155 332	165 372	178 276	165 372	14,8	7,8	7,8
Gross profit on sales	103 645	28 921	89 867	103 645	89 867	258,4	15,3	15,3
Gross profit on sales margin %	12,88	3,94	10,93	12,88	10,93	8,9 p.p.	2,0 p.p.	2,0 p.p.
Sales costs	(74 181)	(70 332)	(79 616)	(74 181)	(79 616)	5,5	(6,8)	(6,8)
Administrative expenses	(20 057)	(19 778)	(21 099)	(20 057)	(21 099)	1,4	(4,9)	(4,9)
Other operating income	16 649	21 580	18 651	16 649	18 651	(22,9)	(10,7)	(10,7)
Other operating cost	(6 731)	(10 150)	(7 491)	(6 731)	(7 491)	(33,7)	(10,1)	(10,1)
EBIT	19 325	(49 759)	312	19 325	312	(138,8)	6 087,5	6 087,5
EBIT margin %	2,40	(6,77)	0,04	2,40	0,04	9,2 p.p.	2,4 p.p.	2,4 p.p.
EBITDA	48 389	13 598	32 368	48 389	32 368	255,9	49,5	49,5
EBITDA margin %	6,01	1,85	3,94	6,01	3,94	4,2 p.p.	2,1 p.p.	2,1 p.p.
Financial income	696	369	2 590	696	2 590	88,9	(73,1)	(73,1)
Financial cost	(8 553)	(8 310)	(8 374)	(8 553)	(8 374)	2,9	2,1	2,1
EBT	11 468	(57 700)	(5 471)	11 468	(5 471)	(119,9)	(309,6)	(309,6)
Corporate income tax	(2 560)	18 770	(609)	(2 560)	(609)	(113,6)	320,7	320,7
Net profit/(loss)	8 908	(38 930)	(6 080)	8 908	(6 080)	(122,9)	(246,5)	(246,5)
Net profit margin %	1,11	(5,30)	(0,74)	1,11	(0,74)	6,4 p.p.	1,8 p.p.	1,8 p.p.

Commentary of the President of the Management Board Wolfgang Lübbert to the results for the first quarter of 2014

The situation on the paper market remains difficult. In the 1st quarter of 2014, it saw a significant decline in prices: 3.5% for coated paper and 5.4% for uncoated paper. Year-on-year the market grew slightly in volume, 0.8% according to Euro-Graph from April 2014.

On this still highly competitive market, Arctic Paper had a decline in paper sales of 3.8% year-on-year (partly related to the above-mentioned closure of one paper machine last summer), and compared to the 4th quarter of 2013 the

company generated growth in paper sales of 7.1% (mainly due to the seasonal effect).

Meanwhile, some positive market trends in pulp prices, slightly visible in the 4th quarter of 2013, continued in the 1st quarter of 2014. Exchange rates, particularly SEK/EUR, were at a level neutral to the company.

Arctic Paper continues to implement its restructuring plan begun in the 2nd half of 2013, with the objective to stimulate sales, reduce costs and strengthen the group's financial

position. Consequently, in terms of operations on the paper market in 1Q 2014, Arctic Paper generated EBITDA of PLN 32m (up 16.6% on a year-on-year basis) and net profit of PLN 2.3m (compared to a loss of PLN 2.6m in 1Q 2013), on revenues of PLN 616.6m (down 3.8% compared to 1Q 2013).

The use of production capacity in the Arctic Paper mills remained at 93%.

Revenue

In the first quarter of 2014 consolidated sales revenue amounted to PLN 804,492 thousand compared to PLN 822,339 thousand in the same period of the previous year. This represents a decrease by PLN 17,847 thousand and accordingly by 2.2%. In the first quarter of 2014 paper sales revenues amounted to PLN 626,216 thousand compared to PLN 656,968 achieved in the analogous period of the previous year while pulp sales revenues amounted to PLN 178,276 thousand (first quarter of 2013: PLN 165,372 thousand).

Paper sales volume in the first quarter of 2014 amounted to 197 thousand tons compared to 204 thousand tons in the same period of the previous year. The change represents a decrease of 7 thousand tons and respectively 3.4%.

Profit on sales, cost of sales, selling and administrative expenses

Profit on sales in the first quarter of 2014 amounted to PLN 103,645 thousand and was 15.3% higher compared to the same period of the previous year and more than 250% higher than in the fourth quarter of 2013. The gross profit on sales margin in the current quarter stood at 12.9% compared to 10.9% (+2.0 p.p.) in the same period of the previous year and to 3.9% (+8.9%) in the fourth quarter of 2013. The main reason for the increase of gross profit on sales margin in the first quarter of 2014 was the decrease of materials use costs and the reduction of other production expenses. Compared to the fourth quarter of 2013, Arctic Paper Group recorded also higher sales volume and higher sales prices which contributed to further increase of sales profit in the reporting period.

The operations of Rottneros developed well during the first 3 months of 2014 and the company contributed to the Arctic Paper Group's results with EBITDA of PLN 16.4m in 1Q 2014.

In the second half of 2013, Arctic Paper began implementation of its restructuring plan, aimed at stimulating sales, reducing costs and strengthening the group's financial position. The effects of these measures, together with the decline in pulp prices and neutral exchange rates, translated into positive financial results.

Pulp sales volume in the first quarter of 2014 amounted to 87 thousand tons compared to 86 thousand tons in the same period of the previous year. The change represents an increase of 1 thousand tons and respectively 1.2%.

Higher sales revenues in the first quarter of 2014 compared to the fourth quarter of 2013 result both from higher paper and pulp sales volume and higher paper and pulp sales prices expressed in PLN. Paper sales revenues in the last quarter of 2013 amounted to PLN 579,562 thousand (sales volume: 182 thousand tons) while pulp sales revenues amounted to PLN 155,332 thousand (sales volume: 76 thousand tons).

Moreover, in the fourth quarter of 2013 the Group recognized impairment allowances of non-financial non-current assets in the amount of PLN 36,332 thousand.

In the first quarters of 2014, selling expenses amounted to PLN 74,181 thousand, which represents a decrease by 6.8% compared to the costs incurred in the corresponding period of 2013 and an increase of 5.5% compared to the fourth quarter of 2013. Selling expenses comprise mostly transportation costs.

In the first quarter of 2014 the administrative expenses amounted to PLN 20,057 thousand compared to PLN 21,099 thousand in the analogous period of 2013 and PLN 19,778 thousand in the last quarter of 2013.

Other operating income and cost

Other operating income in the first quarter of 2014 amounted to PLN 16,649 thousand, which means a decrease compared to the same period of the previous year by PLN 2,003 thousand and a decrease of PLN 4,931 thousand compared to the last quarter of 2013.

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

In the first quarter of 2014 other operating expenses amounted to PLN 6,731 thousand compared to PLN 7,491 thousand in the first quarter of 2013 and PLN 10,150 thousand in the fourth quarter of 2013. Other operating expenses comprise mainly cost of electricity and heat sales as well as cost of other materials sold.

Financial income and financial cost

Financial income in the first quarter of 2014 amounted to PLN 696 thousand and was lower than the income achieved in the analogous period of the previous year by PLN 1,894 thousand. Lower financial income in the first quarter of 2014 resulted primarily from a lower excess of positive exchange differences over negative exchange differences which was presented net as financial income. The excess of positive exchange differences over negative exchange differences in the first

quarter of 2014 amounted to PLN 305 thousand (in the first quarter of 2013: PLN 2,199 thousand). Financial income in the fourth quarter of 2013 amounted to PLN 369 thousand.

Financial cost in the first quarter of 2014 amounted to PLN 8,553 thousand compared to PLN 8,374 thousand incurred in the first quarter of 2013 and PLN 8,310 thousand in the last quarter of 2013.

Income tax

Income tax in the first quarter of 2014 amounted to PLN -2,560 thousand, while in the analogous period of 2013 it amounted to PLN -609 thousand and PLN +18,770 thousand in the fourth quarter of 2013.

Current income tax in the analyzed period amounted to PLN -64 thousand while the deferred part amounted to PLN -2,496

thousand. In the first quarter of the previous year it was respectively PLN -141 thousand and -468 thousand. In the last quarter of 2013 it was respectively PLN -2,022 thousand and PLN +20,792 thousand.

Profitability analysis

Result on operating activities in the first quarter of 2014 amounted to PLN +19,325 thousand compared to PLN +312 thousand in the analogous period of the previous year. These changes mean there was an increase of operating profit margin from 0.04% in the first quarter of 2013 to 2.40% in the first quarter of the current year.

EBITDA for the first quarter of 2014 amounted to PLN 48,389 thousand while in the same period of 2013 it amounted to PLN 32,368 thousand. In the reporting period EBITDA margin amounted to 6.01% compared to 3.94% in the analogous period of 2013.

Net profit in the current quarter of 2014 amounted to PLN 8,908 thousand compared to net loss of PLN 6,080 thousand in the first quarter of 2013.

Profitability analysis

	1Q	4Q	1Q	YTD 1Q	YTD 1Q	Change %	Change %	Change %
<i>PLN thousands</i>	2014	2013	2013	2014	2013	1Q'2014/ 4Q'2013	1Q'2014/ 1Q'2013	YTD1Q'2014/ YTD1Q'2013
Gross profit on sales	103 645	28 921	89 867	103 645	89 867	258,4	15,3	15,3
Gross profit on sales margin %	12,88	3,94	10,93	12,88	10,93	8,9 p.p.	2,0 p.p.	2,0 p.p.
EBITDA	48 389	13 598	32 368	48 389	32 368	255,9	49,5	49,5
EBITDA margin %	6,01	1,85	3,94	6,01	3,94	4,2 p.p.	2,1 p.p.	2,1 p.p.
EBIT	19 325	(49 759)	312	19 325	312	(138,8)	6 087,5	6 087,5
EBIT margin %	2,40	(6,77)	0,04	2,40	0,04	9,2 p.p.	2,4 p.p.	2,4 p.p.
Net profit/(loss)	8 908	(38 930)	(6 080)	8 908	(6 080)	(122,9)	(246,5)	(246,5)
Net profit margin %	1,11	(5,30)	(0,74)	1,11	(0,74)	6,4 p.p.	1,8 p.p.	1,8 p.p.
ROE - Return on equity (%)	1,3	(5,8)	(0,7)	1,3	(0,7)	7,1 p.p.	2,0 p.p.	2,0 p.p.
ROA - Return on assets (%)	0,5	(2,2)	(0,3)	0,5	(0,3)	2,7 p.p.	0,8 p.p.	0,8 p.p.

In the first quarter of 2014 return on equity amounted to +1.3% while in the corresponding period of 2013 it amounted to -0.7%. In the same period, return on assets increased from -0.3% to +0.5%.

Report on financial situation

Selected items of the consolidated balance sheet

<i>PLN thousands</i>	31/03/2014	31/12/2013	31/03/2013	Change 31/03/2014 -31/12/2013	Change 31/03/2014 -31/03/2013
Non-current assets	903 617	924 650	1 087 627	(21 033)	(184 010)
Inventory	362 729	397 373	417 160	(34 644)	(54 431)
Receivables	385 737	328 848	393 296	56 889	(7 559)
<i>including trade receivables</i>	<i>375 856</i>	<i>319 784</i>	<i>376 983</i>	<i>56 072</i>	<i>(1 127)</i>
Other current assets	18 027	15 553	21 415	2 474	(3 388)
Cash and equivalents	97 030	118 033	138 048	(21 003)	(41 019)
Total assets	1 767 140	1 784 458	2 057 547	(17 318)	(290 407)
Equity	672 264	671 532	845 601	732	(173 337)
Short-term liabilities	674 756	684 774	719 328	(10 018)	(44 571)
<i>including:</i>					
Trade payables	387 580	367 267	364 264	20 312	23 315
Interest-bearing loans, borrowings and bonds	130 456	142 430	159 592	(11 974)	(29 136)
Other financial liabilities	68 859	77 502	63 763	(8 643)	5 096
Other non-financial liabilities	87 861	97 575	131 708	(9 714)	(43 847)
Long-term liabilities	420 120	428 151	492 619	(8 031)	(72 498)
<i>including:</i>					
Interest-bearing loans, borrowings and bonds	236 867	245 438	256 135	(8 571)	(19 268)
Other financial liabilities	47 124	44 939	49 432	2 185	(2 308)
Other non-financial liabilities	136 129	137 775	187 051	(1 646)	(50 922)
Total equity and liabilities	1 767 140	1 784 458	2 057 547	(17 318)	(290 407)

As on 31st March 2014, total assets amounted to PLN 1,767,140 thousand compared to PLN 1,784,458 thousand as at the end of 2013, which means a decrease of PLN 17,318 thousand.

Non-current assets

As at the end of March 2014 non-current assets amounted to PLN 903,617 thousand and represented 51.1% of total assets compared to PLN 924,650 thousand and 51.8% as at the end of 2013. Non-current asset comprise mainly property, plant

and equipment as well as intangible assets. The carrying value of non-current assets decreased in three months of 2014, mainly due to impairment of property, plant & equipment and intangibles exceeding investment expenditures.

Current assets

Current assets reached the level of PLN 863,523 thousand as at the end of March 2014 compared to PLN 859,808 thousand as at the end of December 2013. Within the current assets inventories decreased by PLN 34,644 thousand, receivables increased by PLN 56,889 thousand, other current assets increased by PLN 2,474 thousand, and cash and cash

equivalents decreased by PLN 21,003 thousand. Current assets represented 48.9% of total assets as at the end of March 2014 (48.2% as at the end of 2013) and included inventories 20.5% (22.3% as at the end of 2013), receivables 21.8% (18.4% as at the end of 2013), other current assets

1.0% (0.9% as at the end of 2013) and cash and cash

equivalents 5.5% (6.6% as at the end of 2013).

Equity

Equity amounted to PLN 672,264 thousand as at the end of the first quarter of 2014 compared to PLN 671,532 thousand as at the end of 2013. Equity represented 38.0% of total equity

and liabilities as at the end of March 2014 compared to 37.6% of total equity and liabilities as at the end of December 2013.

Short-term liabilities

As at the end of March 2014 short-term liabilities amounted to PLN 674,756 thousand (38.2% of total equity and liabilities) compared to PLN 684,774 thousand (38.4% of total equity and liabilities) as at the end of 2013. In the current quarter of 2014 a decrease of short-term liabilities occurred by PLN

10,018 thousand. The decrease resulted from reduction of overdraft debts, reduction of debts on the grounds of factoring agreements, and the decrease of accruals (liabilities) lowered by the increase of trade liabilities and other liabilities.

Long-term liabilities

As at the end of March 2014 long-term liabilities amounted to PLN 420,120 thousand (23.8% of total equity and liabilities) compared to PLN 428,151 thousand (24.0% of total equity

and liabilities) as at the end of 2013. In the analyzed period, a decrease of long-term liabilities occurred by PLN 8,031 thousand, mainly due to the repayment of bank loans.

Debt analysis

Debt analysis

	1Q 2014	4Q 2013	1Q 2013	Change % 1Q'2014/ 4Q'2013	Change % 1Q'2014/ 1Q'2013
Debt-to-equity ratio (%)	162,9	165,7	143,3	(2,9) p.p.	19,5 p.p.
Equity-to-non-current assets ratio (%)	74,4	72,6	77,7	1,8 p.p.	(3,4) p.p.
Interest-bearing debt-to-equity ratio (%)	71,9	76,0	62,5	(4,1) p.p.	9,3 p.p.
Net borrowings-to-EBITDA (times)	4,35	5,38	1,21	(1,04)	3,14
EBITDA-to-interest (times)	3,2x	2,6x	10,3x	0,6	(7,1)

As at the end of March 2014 debt to equity ratio amounted to 162.9% and was lower by 2.9 p.p. compared to the end of 2013 and higher by 19.5 p.p. compared to the end of March 2013.

Equity to non-current assets amounted to 74.4% as at the end of the first quarter of 2014 and was higher by 1.8 p.p. than as at the end of 2013 and lower by 3.4 p.p. than as at the end of March 2013.

Interest bearing debt to equity ratio amounted to 71.9% as at the end of the first quarter of 2014 and was lower by 4.1 p.p.

compared to the end of December 2013 and higher by 9.3 p.p. compared to the level of this factor calculated at the end of March 2013.

Net borrowings to EBITDA calculated for the last 12 months ended 31st March 2014 amounted to 4.35x compared to 5.38x as for the analogous period ended 31st December 2013 and 1.21x for the twelve months period ended 31st March 2013.

EBITDA to interest coverage ratio amounted to 3.2x for the twelve months ended 31st March 2014, 2.6x for the twelve

months period ended 31st December 2013 and 10.3x for the twelve months period ended 31st March 2013.

Relatively low net debt to EBITDA and high level of EBITDA to interest coverage ratio for the twelve months period ended

31st March 2013 result from high EBITDA for this period due to recognition of profit on bargain purchase of Rottneros Group in December 2012.

Liquidity analysis

Liquidity ratios

	1Q 2014	4Q 2013	1Q 2013	Change % 1Q'2014/ 4Q'2013	Change % 1Q'2014/ 1Q'2013
Current liquidity ratio	1,3x	1,3x	1,3x	0,0	(0,1)
Quick liquidity ratio	0,7x	0,7x	0,7x	0,1	(0,0)
Acid test ratio (cash liquidity)	0,1x	0,2x	0,2x	(0,0)	(0,0)
Inventory turnover DSI (days)	46,6	50,7	51,3	(4,1)	(4,7)
Receivables turnover DSO (days)	42,0	39,2	41,3	2,9	0,8
Liabilities turnover DPO (days)	49,8	46,8	44,8	3,0	5,0
Operating cycle (days)	88,6	89,8	92,5	(1,2)	(3,9)
Cash conversion cycle (days)	38,9	43,0	47,8	(4,1)	(8,9)

Current liquidity ratio amounted to 1.3x as at the end of March 2014 and did not change compared to the end of 2013 and as the end of March 2013.

Quick liquidity ratio did not change in the analyzed periods and amounted to 0.7x.

Cash conversion cycle in the period ended 31st March 2014 amounted to 38.9 days (the period ended 31st December 2013: 43.0 days and the period ended 31st March 2013: 47.8 days).

Consolidated cash flow statement

Selected items of the consolidated cash flow statement

	1Q	4Q	1Q	YTD 1Q	YTD 1Q	Change %	Change %	Change %
PLN thousands	2014	2013	2013	2014	2013	1Q'2014/ 4Q'2013	1Q'2014/ 1Q'2013	YTD1Q'2014/ YTD1Q'2013
Cash flow from operations	31 386	39 335	(75 053)	31 386	(75 053)	(20,2)	(141,8)	(141,8)
including:								
EBT	11 468	(57 701)	(5 471)	11 468	(5 471)	(119,9)	(309,6)	(309,6)
Depreciation and impairment	29 064	63 358	32 055	29 064	32 055	(54,1)	(9,3)	(9,3)
Δ in working capital	(16 802)	20 510	(88 984)	(16 802)	(88 984)	(181,9)	(81,1)	(81,1)
Other corrections	7 656	13 168	(12 653)	7 656	(12 653)	(41,9)	(160,5)	(160,5)
Cash flow investing activities	(11 251)	(15 401)	(19 076)	(11 251)	(19 076)	(27,0)	(41,0)	(41,0)
Cash flow financing activities	(41 342)	(19 323)	12 881	(41 342)	12 881	113,9	(421,0)	(421,0)
Total Cash Flow	(21 206)	4 610	(81 248)	(21 206)	(81 248)	(560,0)	(73,9)	(73,9)

Cash flows from operating activities

In the first quarter of 2014 net cash flows from operating activities amounted to PLN +31,386 thousand compared to PLN -75,053 thousand in the corresponding period of 2013 and PLN +39,335 thousand in the fourth quarter of 2013.

Gross profit achieved in the first quarter of 2014 increased by amortization of this period contributed to positive cash flows from operating activities.

Cash flows from investment activities

In the first quarter of 2014 cash flows from investment activities amounted to PLN -11,251 thousand compared to PLN -19,076 thousand in the first quarter of 2013 and PLN -15,401 thousand in the fourth quarter of 2013.

Investment cash flows in the first quarter of 2014 were primarily related to purchases of property, plant and equipment and intangibles.

Cash flows from financial activities

Cash flows from financial activities in the first quarter of 2014 amounted to PLN -41,342 thousand compared to PLN +12,881 thousand in the first quarter of 2013 and PLN -19,323 thousand in the fourth quarter of 2013.

In the first quarter of 2014, cash flows from financial activities related mainly to repayment of indebtedness on the grounds of bank loans including overdrafts, as well as repayment of liabilities from factoring agreements and payment of interest.

Summary of standalone financial results

Standalone income statement

Selected items of the standalone income statement

	1Q	4Q	1Q	YTD 1Q	YTD 1Q	Change %	Change %	Change %
PLN thousands	2014	2013	2013	2014	2013	1Q'2014/ 4Q'2013	1Q'2014/ 1Q'2013	YTD1Q'2014/ YTD1Q'2013
Revenues:	9 561	4 096	15 755	9 561	15 755	133,4	(39,3)	(39,3)
including:								
Sales of services	9 302	8 752	10 000	9 302	10 000	6,3	(7,0)	(7,0)
Loans interest	259	(4 656)	5 754	259	5 754	(105,6)	(95,5)	(95,5)
Income from dividends	-	-	-	-	-	-	-	-
Gross profit on sales	7 203	2 129	15 755	7 203	15 755	238,4	(54,3)	(54,3)
Gross profit on sales margin %	75,34	51,97	100,00	75,34	100,00	23,4 p.p.	(48,0) p.p.	(24,7) p.p.
Sales costs	(928)	(690)	(741)	(928)	(741)	34,4	25,1	25,1
Administrative expenses	(5 746)	(6 794)	(6 656)	(5 746)	(6 656)	(15,4)	(13,7)	(13,7)
Other operating income	168	140	56	168	56	19,9	202,2	202,2
Other operating cost	(842)	(68 381)	(69)	(842)	(69)	(98,8)	1 124,7	1 124,7
EBIT	(145)	(73 596)	8 344	(145)	8 344	(99,8)	(101,7)	(101,7)
EBIT margin %	(1,52)	(1 796,85)	52,96	(1,52)	52,96	1 795,3 p.p.	(54,5) p.p.	(54,5) p.p.
EBITDA	(122)	(73 581)	8 374	(122)	8 374	(99,8)	(101,5)	(101,5)
EBITDA margin %	(1,28)	(1 796,47)	53,15	(1,28)	53,15	1 795,2 p.p.	(54,4) p.p.	(54,4) p.p.
Financial income	507	1 744	2 260	507	2 260	(70,9)	(77,6)	(77,6)
Financial cost	(657)	(2 233)	(4 060)	(657)	(4 060)	(70,6)	(83,8)	(83,8)
EBT	(295)	(74 085)	6 544	(295)	6 544	(99,6)	(104,5)	(104,5)
Corporate income tax	-	-	-	-	-	-	-	-
Net profit	(295)	(74 085)	6 544	(295)	6 544	(99,6)	(104,5)	(104,5)
Net profit margin %	(3,08)	(1 808,79)	41,54	(3,08)	41,54	1 805,7 p.p.	(44,6) p.p.	(44,6) p.p.

Revenue

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 2014 amounted to PLN 9,561 thousand and comprised services rendered for entities belonging to the Group (PLN 9,302 thousand) and interest on

loans (PLN 259 thousand). In the same period of the previous year standalone sales revenue amounted to PLN 15,755 thousand and comprised services rendered to the Group entities (PLN 10,000 thousand) and interest on loans (PLN 5,754 thousand).

Standalone sales revenue for the fourth quarter of 2013 amounted to PLN 4,096 thousand and comprised: income from the services rendered to entities belonging to the Group

(PLN 8,752 thousand) and income from interest on loans granted (PLN 3,938 thousand adjusted with the impairment allowance related to interest on loan granted to Arctic Paper Investment AB in the amount of PLN 8,594 thousand).

Selling expenses

In the first quarter of 2014 the Company recognized PLN 928 thousand of selling expenses (PLN 690 thousand in the fourth quarter of 2013), related solely to costs of pulp procurement

Administrative expenses

In the first quarter of 2014 administrative expenses amounted to PLN 5,746 thousand and were lower compared to the analogous period of the previous year by PLN 910 thousand and lower than the expenses recorded in the fourth quarter of 2013 by PLN 1,048 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 168 thousand in the first quarter of 2014 which represents an increase by PLN 112 thousand compared to analogous period of 2013. Other operating cost totaled PLN 842 thousand in the first quarter of 2014.

High other operating cost in the fourth quarter of 2013 result mainly from impairment of the investments: in Arctic Paper

Financial income and cost

In the first quarter of 2014 financial income amounted to PLN 507 thousand and was lower compared to financial income achieved in the first quarter of 2013 by PLN 1,753 thousand and compared to the fourth quarter of 2013 by PLN 1,237 thousand.

Financial cost in the first quarter of 2014 amounted to PLN 657 thousand. In the analogous period of 2013 financial cost amounted to PLN 4,060, while in the fourth quarter of 2013 it amounted to PLN 2,233 thousand.

In 2014 and in 2013 the Company did not render services to Pulp Mills of Rottneros Group.

Cost of sales comprises cost of interest on loans received from other entities of the Group.

agency services rendered to Arctic Paper Kostrzyn S.A. Sales of pulp to Arctic Paper Kostrzyn started 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.

Investment AB, the holder of direct shares in paper mill of Arctic Paper Grycksbo AB (in the amount of PLN 39,726 thousand); in Arctic Paper Investment GmbH, the holder of direct shares in paper mill Arctic Paper Mochenwangen GmbH (in the amount of PLN 14,731 thousand); and in a distribution company of Arctic Paper Sverige AB (in the amount of PLN 11,721 thousand).

Higher financial cost in the first quarter of 2013 resulted from different presentation of interest cost on the loan received from Arctic Paper Kostrzyn S.A. – in the first quarter of 2013 it was presented as financial cost, in 2014 it is presented as cost of sales.

Statement of financial position

Selected items of the standalone balance sheet

<i>PLN thousands</i>	31/03/2014	31/12/2013	31/03/2013	Change 31/03/2014 -31/12/2013	Change 31/03/2014 -31/03/2013
Non-current assets	829 636	829 519	1 067 183	118	(237 547)
Inventory	-	-	-	-	-
Receivables	41 097	45 300	37 297	(4 203)	3 800
Other current assets	21 356	21 751	22 802	(395)	(1 446)
Cash and equivalents	12 724	9 018	10 047	3 706	2 676
Total assets	904 813	905 588	1 137 330	(774)	(232 517)
Equity	689 813	690 044	875 894	(231)	(186 081)
Short-term liabilities	37 904	37 356	58 816	549	(20 911)
Long-term liabilities	177 096	178 188	202 621	(1 092)	(25 524)
Total equity and liabilities	904 813	905 588	1 137 330	(775)	(232 517)

As on 31st March 2014 total assets amounted to PLN 904,813 thousand compared to PLN 905,588 thousand as at the end of 2013.

Non-current assets

As at the end of March 2014 non-current assets represented nearly 91.7% of total assets which means this share slightly increased (by 0.1 p.p.) compared to the end of 2013. The main item of non-current assets is shares in subsidiaries. Total value of this position as at the end of the third quarter of 2013

was PLN 827,168 thousand compared to PLN 822,189 thousand at the end of 2013. The increase of value of shares in subsidiaries resulted from the acquisition of 100% shares in Arctic Paper Deutschland GmbH.

Current assets

Current assets as at the end of March 2014 amounted to PLN 75,177 thousand compared to PLN 76,069 thousand as at the end of 2013. Current assets slightly decreased in the first quarter of 2014, particularly in receivables. On the other hand,

cash increased. As at the end of the first quarter of 2014 current assets represented 8.3% of total assets compared to 8.4% as at the end of the previous year.

Equity

Equity amounted to PLN 689,813 thousand as at the end of the first quarter of 2014 compared to PLN 690,044 thousand as at the end of 2013. Equity amounted to 76.2% of total

equity and liabilities as at the end of March 2014 and this share did not change compared to the end of 2013.

Short-term liabilities

As at the end of March 2014 short-term liabilities amounted to PLN 37,904 thousand (4.2% of total equity and liabilities)

compared to PLN 37,356 thousand as at the end of 2013 (4.1% of total equity and liabilities).

Long-term liabilities

Long-term liabilities as at the end of March 2014 amounted to PLN 177,096 thousand (19.6% of total equity and liabilities)

compared to PLN 178,188 thousand (19.7% of total equity and liabilities) as at the end of 2013.

Cash flows

Selected items of the standalone cash flow statement

	1Q	4Q	1Q	YTD 1Q	YTD 1Q	Change %	Change %	Change %
PLN thousands	2014	2013	2013	2014	2013	1Q'2014/ 4Q'2013	1Q'2014/ 1Q'2013	YTD1Q'2014/ YTD1Q'2013
Cash flow from operations	4 199	21 405	72 821	4 199	72 821	(80,4)	(94,2)	(94,2)
including:	-	-	-	-	-	-	-	-
EBT	(295)	(74 085)	6 543,7	(295)	6 544	(99,6)	(104,5)	(104,5)
Depreciation	23	(194 253)	29,8	23	30	(100,0)	(22,9)	(22,9)
Δ in working capital	563	25 505	(6 556,7)	563	(6 557)	(97,8)	(108,6)	(108,6)
Interest and dividend (net)	2 133	315	(1 920,7)	2 133	(1 921)	577,3	(211,1)	(211,1)
Other corrections	1 775	263 924	74 724,6	1 775	74 725	(99,3)	(97,6)	(97,6)
Cash flow investing activities	(141)	(15 747)	(17 923)	(141)	(17 923)	(99,1)	(99,2)	(99,2)
Cash flow financing activities	(352)	(692)	(75 206)	(352)	(75 206)	(49,2)	(99,5)	(99,5)
Total Cash Flow	3 707	4 965	(20 308)	3 707	(20 308)	(25,4)	(118,3)	(118,3)

Cash flows statement presents an increase in cash and cash equivalents in three months of 2014 by PLN 3,707 thousand which includes:

positive cash flows from operating activities in the amount of PLN +4,199 thousand,

negative cash flows from investment activities in the amount of PLN -141 thousand,
negative cash flows from financial activities in the amount of PLN -352 thousand.

Cash flows from operating activities

In the first quarter of 2014 net cash flows from operating activities amounted to PLN +4,199 thousand compared to PLN +72,821 thousand in the corresponding period of 2013.

Relatively high cash flows from operating activities in the first quarter of 2013 resulted from a loan received from Arctic Paper Kostrzyn.

Cash flows from investment activities

In three months of 2014 cash flows from investment activities amounted to PLN -141 thousand compared to PLN -17,923 thousand in the analogous period of the previous year. The main item of cash flows from investment activities in

the first quarter of 2013 was expenses related to further acquisition of Rottneros AB shares in cash and to the increase of shares in Arctic Paper Investment GmbH.

Cash flows from financial activities

Cash flows from financial activities in the first quarter of 2014 amounted to PLN -352 thousand compared to PLN -75,206 thousand in the analogous period of 2013. High cash flows

from financial activities in the first quarter of 2013 were influenced by repayment of the last portion of bonds together with interest.

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. The 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 Company, their fluctuations may have a significant impact on Group's profitability.

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

Currency exchange fluctuations

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

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

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

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

Unusual events and factors

In the first quarter of 2014 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 2014 there were no relevant changes in Arctic Paper Group's structure that would have material influence on the financial result achieved.

Other material information

On 19th 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 the payment term of Arctic Paper Grycksbo AB overdraft on 30th September 2014 and granted Arctic Paper Grycksbo AB

a covenant waiver concerning solidity ratio and interest coverage ratio as set in the Loan Agreement until 30th September 2014.

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 2014 were higher compared to the first quarter of 2013 by app. 0.7%. Supplies in the segment of uncoated wood-free paper (UWF) were higher by 3.2%, while those in the segment of coated wood-free paper (CWF) were lower by 2.0%.

Compared to the fourth quarter of 2013 the supplies of fine papers were approximately 5.5% higher. In the analyzed

period supplies in the segment of uncoated wood-free paper (UWF) were 11.0% higher, while those in the segment of coated wood-free paper (CWF) were 0.3% lower.

In 1Q 2014 Arctic Paper Group paper sales volume was 8.5% higher than in 4Q 2013 and 3.5% lower than in the corresponding period of 2013. In the end of the first quarter of 2014, Arctic Paper Group recorded a decrease of orders.

Data source: EuroGraph, RISI, Arctic Paper analysis

Paper prices

In the first quarter of 2014 fine papers prices in Europe experienced a decrease compared to prices at the end of 2013. Average price decrease amounted to 1.8% for UWF and 1.1% for CWF.

Between the end of December 2013 and March 2014, average UWF prices declared by producers for the selected products and markets of Germany, France, Spain, Italy and United Kingdom, expressed in EUR and GBP, changed in the range of -1.8% to -1.7%. The average CWF prices in the same period changed from -1.5% to -0.7%.

As at the end of the first quarter of 2014, the average prices decreased by app. 5.4% for UWF and 3.5% for CWF, compared to 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 December 2013 to March 2014 by from -0.8% to -0.6%, and in the segment of coated wood-free paper by from -2.4% to +0.6%.

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 but only express ordering prices. For Arctic Paper products the average invoiced sales prices for all served markets in EUR.

Pulp prices

At the end of the first quarter of 2014 pulp prices reached a level of USD 922 per ton for NBSK and USD 765 per ton for BHKP. The average pulp price in 1Q 2014 was higher by 11.3% for NBSK while lower by 2.5% for BHKP, compared to the corresponding period of the previous year. In the first quarter of 2014 the average pulp price was higher by 2.4% for NBSK and lower by 0.3% for BHKP, compared to the fourth quarter of 2013.

The average cost of pulp per ton as calculated for the AP Group, expressed in PLN, in 1Q 2014 decreased by 3.5%

compared to 4Q 2013 and decreased by 0.5% compared to 1Q 2013.

The share of pulp costs in cost of paper sales in the first quarter of 2014 amounted to 43.5% and was lower compared to the level recorded in 4Q 2013 (48.5%).

Arctic Paper Group uses the pulp in the production process according to the following structure: BHKP 65%, NBSK 22% and other 13%.

Source: www.foex.fi, Arctic Paper analysis

Currency exchange rates

The EUR/PLN exchange rate at the end of the first quarter of 2014 amounted to 4.1713 and was higher by 0.6% than at the end of 2013 and lower by 0.1% than at the end of the first quarter of 2013. The average exchange rate in the first quarter of 2014 was very similar to the fourth quarter of 2013 and amounted to 4.1858. The average exchange rate in the first quarter of 2014, compared to the corresponding period of the previous year, was 0.7% higher.

EUR/SEK exchange rate at the end of the first quarter of 2014 increased to 8.9455 from 8.8351 as at the end of the fourth quarter of 2013 (+1.3%). For this pairing, the average rate in the first quarter of 2014 was very similar to the fourth quarter of 2013. The average exchange rate in the first quarter of 2014 was 4.3% higher than in the corresponding period of 2013.

These changes mean that in the first quarter of 2014 a depreciation of SEK towards EUR occurred, however, only at the end of the quarter so the influence of these changes was minor and the Group did not record higher revenues in Swedish facilities on these grounds. The change of EUR/SEK exchange rate has a positive impact on financial results of the Group, when compared to the first quarter of 2013, as the depreciation of SEK towards EUR contributed to more than 4% increase of sales income generated by Swedish mills that are dependent on prices expressed in EUR.

At the end of the first quarter of 2014 USD/PLN rate was 0.7% higher than at the end of the fourth quarter of 2013 and amounted to 3.0344. In the first quarter of 2014 the average USD/PLN exchange rate amounted to 3.0551 compared to 3.0746 in the fourth quarter of 2013, which means a slight appreciation of PLN by 0.6%.

At the end of the first quarter of 2014, USD/SEK rate amounted to 6.5074 and was 1.4% higher than at the end of the fourth quarter of 2013. The average exchange rate in the first quarter of 2014 amounted to 6.4652 which means a decrease by 0.7% compared to the fourth quarter of 2013.

At the end of March 2014, EUR/USD rate amounted to 1.3747 compared to 1.3769 (-0.2%) at the end of the fourth quarter of 2013 and to 1.2818 (+7.2%) at the end of March 2013. In the first quarter of 2014, the average exchange rate amounted to 1.3702 compared to 1.3617 (+0.6%) in the fourth quarter of 2013.

The key pairings with importance for the Group's financial results remained at very similar levels to the fourth quarter of 2013, therefore it did not have any material influence on the Group's financial results.

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

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

- Demand for fine papers in Europe. In 2013 there was a significant decline of demand for fine papers in Europe (based on levels of supplies realized) compared to 2012. Further adverse turnout of market situation 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 diminishing deliveries/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 2014, there were no material changes regarding risk factors, which have been described in details in the annual report for 2013.

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 2014.

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 15/05/2014	Number of shares or rights thereto as at 21/03/2014	Change
Management Board			
Wolfgang Lübbert	-	-	-
Jacek Łoś	-	-	-
Per Skoglund	-	-	-
Małgorzata Majewska-Śliwa	-	-	-
Michał Sawka	-	-	-
Supervisory Board			
Rolf Olof Grundberg	12 102	12 102	-
Rune Roger Ingvarsson	-	-	-
Thomas Onstad	-	-	-
Kjell Olsson	-	-	-
Dariusz Witkowski	-	-	-
Mariusz Grendowicz	-	-	-

Information on guarantees

As on 31st March 2014, 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 163,234 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 1,502 thousand in Arctic Paper Grycksbo AB and of SEK 711 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 133,554 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 2,722 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;
- on 15th March 2012 AP S.A. granted a collateral in favor of Cartiere del Garda S.P.A. - paper supplier to the Distribution Companies (Arctic Paper Sweden AB, Arctic Paper Denmark A/S, Arctic Paper Norge AS). The guarantee stands for EUR 1,000 thousand and was valid until 28th March 2014,
- 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 231,000 thousand;
- a guarantee in favor of Södra Cell International AB, the supplier of pulp, in the total amount of SEK 12,000 thousand,
- a pledge on 39,900,000 Rottneros AB shares resulting from a loan agreement for the amount of EUR 4,000 thousand, concluded by and between Arctic Paper S.A. and Mr. Thomas Onstad.

Moreover, the following collateral securing the loan agreement (Arctic Paper Kostrzyn S.A. as the Borrower, Arctic Paper S.A.

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

- pledges on shares of Arctic Paper Kostrzyn S.A., shares of Arctic Paper Investment GmbH, Arctic Paper Mochenwangen GmbH and on shares of holding companies in Germany;
- pledges on bank accounts of all companies;
- mortgages on real 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.

Apart from the aforementioned guarantees, Arctic Paper Mochenwangen GmbH has a contingent liability in the amount of EUR 7,489 thousand connected with exercising the benefit of lowered electricity costs in 2012 and 2013. Lower charges for electricity had been offered by German state authorities on the grounds of support granted to companies which used renewable sources of energy. Currently the European Union considers if such help is compliant with EU law. German government claims that no infringement of EU law occurred regarding state relief to entrepreneurs. Actions of the government were aimed mostly at supporting pro-environmental proceedings, including encouraging companies to use renewable sources of energy. The Management Boards of Arctic Paper Mochenwangen GmbH and Arctic Paper S.A. are of the opinion that the EU is likely to decide for the favorable decision for German state authorities and the companies who benefit from the support. Therefore there has

been no provision recorded in consolidated income statement for the first quarter of 2014.

Significant off-balance sheet items

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

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

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

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

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

Signatures of the Members of the Management Board

Position	Name and surname	Date	Signature
President of the Management Board Chief Executive Officer	Wolfgang Lübbert	15 May 2014	
Member of the Management Board Chief Financial Officer	Malgorzata Majewska-Śliwa	15 May 2014	



Interim condensed quarterly consolidated financial
statements for the three months period
ended 31st March 2014

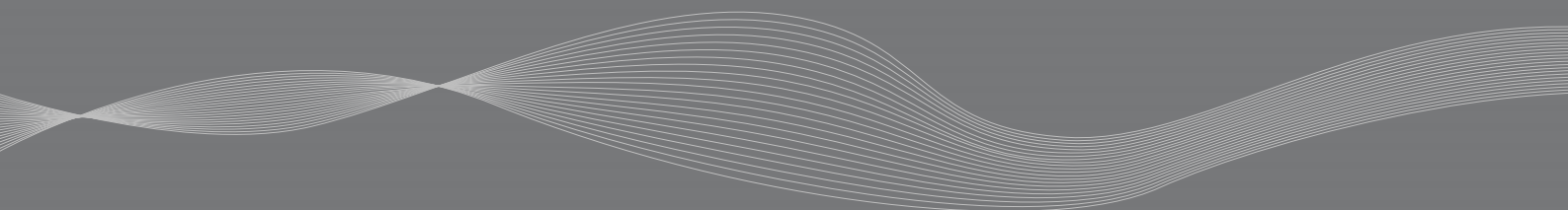


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Consolidated financial statements and selected financial data

Selected consolidated financial data

	For the period from 01.01.2014 to 31.03.2014 thousand PLN	For the period from 01.01.2013 to 31.03.2013 thousand PLN	For the period from 01.01.2014 to 31.03.2014 thousand EUR	For the period from 01.01.2013 to 31.03.2013 thousand EUR
Revenues	804 492	822 339	192 194	197 914
Operating profit (loss)	19 325	312	4 617	75
Profit (loss) before tax	11 468	(5 471)	2 740	(1 317)
Profit (loss) from continuing operations	8 908	(6 080)	2 128	(1 463)
Profit (loss) for the period	8 908	(6 080)	2 128	(1 463)
Profit (loss) for the period attributable to equity holders of the parent	5 702	(4 132)	1 362	(994)
Net operating cash flow	31 386	(75 053)	7 498	(18 063)
Net investment cash flow	(11 251)	(19 076)	(2 688)	(4 591)
Net financial cash flow	(41 342)	12 881	(9 877)	3 100
Net change in cash and cash equivalents	(21 206)	(81 249)	(5 066)	(19 554)
Weighted average number of shares	69 287 783	67 736 271	69 287 783	67 736 271
Weighted average diluted number of shares	69 287 783	67 736 271	69 287 783	67 736 271
EPS (in PLN/EUR)	0,08	(0,06)	0,02	(0,01)
Diluted EPS (in PLN/EUR)	0,08	(0,06)	0,02	(0,01)
Average PLN/EUR rate*			4,1858	4,1550

	As at 31 March 2014 thousand PLN	As at 31 December 2013 thousand PLN	As at 31 March 2014 thousand EUR	As at 31 December 2013 thousand EUR
Assets	1 767 140	1 784 458	423 642	430 280
Long-term liabilities	420 120	428 151	100 717	103 239
Short-term liabilities	674 756	684 774	161 762	165 117
Equity	672 264	671 532	161 164	161 924
Share capital	69 288	69 288	16 611	16 707
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)	9,70	9,69	2,33	2,34
Diluted book value per share (in PLN/EUR)	9,70	9,69	2,33	2,34
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**	-	-	4,1713	4,1472

* - 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 2014 (unaudited)	3 months period ended 31 March 2013 (unaudited)	Year ended 31 December 2013 (audited)
Continuing operations			
Sales of products	804 492	822 339	3 104 901
Revenues	804 492	822 339	3 104 901
Cost of sales	(700 846)	(732 472)	(2 914 015)
Gross profit / (loss) on sales	103 645	89 867	190 886
Selling and distribution expenses	(74 181)	(79 616)	(298 091)
Administrative expenses	(20 057)	(21 099)	(76 177)
Other operating income	16 649	18 651	63 173
Other operating expenses	(6 731)	(7 491)	(31 432)
Operating profit / (loss)	19 325	312	(151 641)
Finance income	696	2 590	1 255
Finance costs	(8 553)	(8 374)	(32 333)
Profit / (loss) before tax	11 468	(5 471)	(182 719)
Income tax	(2 560)	(609)	30 566
Net profit (loss) for the year from continuing operations	8 908	(6 080)	(152 153)
Discontinued operations			
Profit (loss) for the period from discontinued operations	-	-	-
Net profit (loss) for the year	8 908	(6 080)	(152 153)
Attributable to:			
Equity holders of the parent	5 702	(4 132)	(132 266)
Non-controlling interest	3 206	(1 948)	(19 887)
	8 908	(6 080)	(152 153)
Earnings per share:			
– basic from the profit (loss) for the period attributable to equity holders of the parent	0,08	(0,06)	(1,92)
– basic from the profit (loss) from continuing operations attributable to equity holders of the parent	0,08	(0,06)	(1,92)
– diluted from the profit (loss) for the period attributable to equity holders of the parent	0,08	(0,06)	(1,92)
– diluted from the profit (loss) from the continuing operations attributable to equity holders of the parent	0,08	(0,06)	(1,92)

Consolidated statement of comprehensive income

	3 months period ended 31 March 2014 (unaudited)	3 months period ended 31 March 2013 (unaudited)	Year ended 31 December 2013 (audited)
Net profit / (loss) for the period	8 908	(6 080)	(152 153)
Items to recognise in profit/loss in future periods:			
Exchange difference on translation of foreign operations	(2 789)	26 613	(8 059)
Deferred tax on derivatives (exchange differences)	1 393	(1 152)	2 067
Valuation of derivatives	(6 779)	2 862	(8 952)
Items not to recognise in profit/loss in future periods:			
Actuarial gains/(losses)	-	-	12 103
Deferred tax on actuarial gains/(losses)	-	-	(658)
Other comprehensive income	(8 175)	28 322	(3 499)
Total comprehensive income	733	22 242	(155 651)
Total comprehensive income by:			
Holders of the parent	(722)	14 902	-133 456
Holders of the non-controlling interest	1 455	7 340	(22 196)

Consolidated balance sheet

	As at 31 March 2014 (unaudited)	As at 31 December 2013 (audited)	As at 31 March 2013 (unaudited)
ASSETS			
Non-current assets			
Property, plant and equipment	771 593	790 779	909 938
Investment properties	11 181	11 181	10 542
Intangible assets	49 481	49 379	94 698
Shares in joint ventures	5 059	5 093	5 313
Other financial assets	1 161	1 155	918
Other non-financial assets	1 591	1 174	1 297
Deferred tax asset	63 551	65 891	64 921
	903 617	924 650	1 087 627
Current assets			
Inventories	362 729	397 373	417 160
Trade and other receivables	375 856	319 784	376 983
Income tax receivables	9 881	9 064	16 313
Other non-financial assets	934	1 685	3 161
Other financial assets	17 093	13 868	18 254
Cash and cash equivalents	97 030	118 033	138 048
	863 523	859 808	969 920
TOTAL ASSETS	1 767 140	1 784 458	2 057 547
LIABILITIES			
Equity and liabilities			
Share capital	69 288	69 288	69 288
Share premium	652 659	652 659	651 577
Other reserves	127 992	132 697	127 524
Foreign currency translation	16 412	18 132	42 526
Retained earnings / Accumulated (unabsorbed) losses	(351 314)	(357 015)	(220 637)
Non-controlling interest	157 227	155 772	175 323
Total equity	672 264	671 532	845 601
Non-current liabilities			
Interest-bearing loans, borrowings and bonds	236 867	245 438	256 135
Provisions	79 094	79 455	94 354
Other financial liabilities	47 124	44 939	49 432
Deferred tax liabilities	28 362	28 979	61 319
Accruals and deferred income	28 673	29 340	31 378
	420 120	428 151	492 619
Current liabilities			
Interest-bearing loans, borrowings and bonds	130 456	142 430	159 592
Provisions	4 617	3 086	7 766
Other financial liabilities	68 859	77 502	63 763
Trade and other payables	386 623	365 932	364 185
Income tax payable	957	1 335	79
Accruals and deferred income	83 244	94 489	123 942
	674 756	684 774	719 328
TOTAL LIABILITIES	1 094 877	1 112 925	1 211 946
TOTAL EQUITY AND LIABILITIES	1 767 140	1 784 458	2 057 547

Consolidated cash flow statement

	3 months period ended 31 March 2014 (unaudited)	3 months period ended 31 March 2013 (unaudited)	Year ended 31 December 2013 (audited)
Cash flow from operating activities			
Profit (loss) before taxation	11 468	(5 471)	(182 719)
Adjustments for:			
Depreciation	29 064	32 055	121 521
Foreign exchange differences	1 271	(12 202)	(275)
Impairment of non financial assets	-	-	102 981
Net interest and dividends	8 030	7 855	29 249
Gain/loss from investing activities	(1 886)	277	(362)
Increase / decrease in receivables and other non-financial assets	(55 866)	(35 671)	13 927
Increase / decrease in inventories	33 432	9 039	11 302
Increase / decrease in payables except for loans and borrowings	20 701	(61 199)	(60 110)
Change in accruals and prepayments	(15 068)	(1 153)	(23 560)
Change in provisions	1 523	(4 462)	(4 234)
Income tax paid	(1 603)	(6 568)	1 111
Derecognition of emission rights to CO2 identified in a business combination	271	275	2 758
Sales of energy certificates		2 719	2 968
Other	50	(548)	299
Net cash flow from operating activities	31 386	(75 053)	14 857
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets	1 904	-	1 541
Purchase of property, plant and equipment and intangible assets	(13 154)	(19 076)	(87 337)
Net cash flow from investing activities	(11 251)	(19 076)	(85 797)
Cash flow from financing activities			
Change in bank overdrafts	(10 983)	97 598	34 906
Repayment of finance lease liabilities	(692)	(3 625)	(5 706)
Proceeds from other financial liabilities	701	17 179	23 961
Repayment of other finance liabilities	(13 603)	(1 343)	-
Proceeds from loans, borrowings and bonds	-	-	16 589
Repayment of loans, borrowings and bonds	(8 736)	(80 642)	(35 083)
Interest paid	(8 028)	(10 159)	(41 224)
Acquisition of non-controlling interest	-	(6 126)	(6 126)
Proceeds from sales of non-controlling interest	-	-	3 979
Net cash flow from financing activities	(41 342)	12 881	(8 705)
Net increase/(decrease) in cash and cash equivalents	(21 206)	(81 249)	(79 645)
Net foreign exchange differences	203	16 586	(5 032)
Cash and cash equivalents at the beginning of the period	118 033	202 710	202 710
Cash and cash equivalents at the end of the period	97 030	138 048	118 033

Consolidated statement of changes in equity

Attributable to parent equity holders of the Company								
	Share capital	Share premium	Translation reserve	Other reserves	Retained earnings (losses)	Total	Non-controlling interest	Total equity
As at 1 January 2014	69 288	652 659	18 132	132 697	(357 015)	515 760	155 772	671 532
Net profit for the period	-	-	-	-	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 parent equity holders of the Company								
	Share capital	Share premium	Translation reserve	Other reserves	Retained earnings (losses)	Total	Non-controlling interest	Total equity
As at 1 January 2013 (unaudited)	55 404	580 875	26 312	189 688	(245 859)	606 419	223 067	829 487
Foreign currency translation	-	-	-	-	(4 132)	(4 132)	(1 948)	(6 080)
Other comprehensive income	-	-	16 215	2 819	-	19 034	9 288	28 322
Total comprehensive income	-	-	16 215	2 819	(4 132)	14 902	7 340	22 242
Issue of shares	13 884	70 702	-	(64 983)	-	19 603	-	19 603
Acquisition of non-controlling interest	-	-	-	-	29 353	29 353	(55 084)	(25 731)
As at 31 March 2013 (unaudited)	69 288	651 577	42 526	127 524	(220 638)	670 278	175 323	845 601

Attributable to equity holders of the Company								
	Share capital	Share premium	Translation reserve	Other reserves	Retained earnings (losses)	Total	Non-controlling interest	Total equity
As at 1 January 2013 (audited)	55 404	580 875	26 312	189 688	(245 859)	606 419	223 067	829 487
Net profit for the period	-	-	-	-	(132 266)	(132 266)	(19 887)	(152 153)
Other comprehensive income	-	-	(8 180)	(4 455)	11 445	(1 190)	(2 309)	(3 499)
Total comprehensive income	-	-	(8 180)	(4 455)	(120 820)	(133 456)	(22 196)	(155 651)
Registration of shares issued in 2012	10 741	54 242	-	(64 983)	-	-	-	-
Acquisition of non-controlling interest	3 143	16 460	-	-	29 353	48 956	(55 084)	(6 128)
Profit distribution	-	1 082	-	12 447	(13 529)	-	-	-
Sales of non-controlling interest	-	-	-	-	(6 160)	(6 160)	9 985	3 825
As at 31 December 2013 (audited)	69 288	652 659	18 132	132 697	(357 015)	515 760	155 772	671 532

Standalone financial statements and selected financial data

Selected standalone financial data

	For the period from 01.01.2014 to 31.03.2014 tys. PLN	For the period from 01.01.2013 to 31.03.2013 tys. PLN	For the period from 01.01.2014 to 31.03.2014 tys. EUR	For the period from 01.01.2013 to 31.03.2013 tys. EUR
Revenues	9 561	15 755	2 284	3 792
Operating profit (loss)	(145)	8 344	(35)	2 008
Profit (loss) before tax	(295)	6 544	(70)	1 575
Profit (loss) from continuing operations	(295)	6 544	(70)	1 575
Profit (loss) for the period	(295)	6 544	(70)	1 575
Net operating cash flow	4 199	72 821	1 003	17 526
Net investment cash flow	(141)	(17 923)	(34)	(4 314)
Net financial cash flow	(352)	(75 206)	(84)	(18 100)
Net change in cash and cash equivalents	3 707	(20 308)	885	(4 888)
Weighted average number of shares	69 287 783	67 736 271	69 287 783	67 736 271
Weighted average diluted number of shares	69 287 783	67 736 271	69 287 783	67 736 271
EPS (in PLN/EUR)	(0,00)	0,10	(0,00)	0,02
Diluted EPS (in PLN/EUR)	(0,00)	0,10	(0,00)	0,02
Average PLN/EUR rate*			4,1858	4,1550

	As at 31 March 2014 tys. PLN	As at 31 December 2013 tys. PLN	As at 31 March 2014 tys. EUR	As at 31 December 2013 tys. EUR
Assets	904 813	905 588	216 914	218 361
Long-term liabilities	177 096	178 188	42 456	42 966
Short-term liabilities	37 904	37 356	9 087	9 007
Equity	689 813	690 044	165 371	166 388
Share capital	69 288	69 288	16 611	16 707
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)	9,96	9,96	2,39	2,40
Diluted book value per share (in PLN/EUR)	9,96	9,96	2,39	2,40
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**	-	-	4,1713	4,1472

* - 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 2014 (unaudited)	3 months period ended 31 March 2013 (unaudited)	Year ended 31 December 2013 (audited)
Continuing operations			
Sales of good	9 302	10 000	40 668
Interest income	259	5 754	1 134
Dividends	-	-	75 155
Revenues	9 561	15 755	116 956
Cost of sales	(2 358)	-	(9 784)
Gross profit on sales	7 203	15 755	107 172
Other operating income	168	56	284
Selling and distribution costs	(928)	(741)	(2 861)
Administrative expenses	(5 746)	(6 656)	(28 546)
Other operating expenses	(842)	(69)	(255 548)
Operating profit / (loss)	(145)	8 344	(179 498)
Finance income	507	2 260	3 194
Finance costs	(657)	(4 060)	(3 607)
Profit / (loss) before tax	(295)	6 544	(179 910)
Income tax	-	-	-
Net profit (loss) for the year from continuing operations	(295)	6 544	(179 910)
Discontinued operations			
Profit (loss) for the period from discontinued operations	-	-	-
Net profit (loss) for the year	(295)	6 544	(179 910)
Earnings per share:			
– basic from the profit (loss) for the period	(0,00)	0,10	0,52
– basic from the profit (loss) from continuing operations for the period	(0,00)	0,10	0,52
– diluted from the profit (loss) for the period	(0,00)	0,10	0,52
– diluted from the profit (loss) from the continuing operations for the period	(0,00)	0,10	0,52

Standalone statement of comprehensive income

	3 months period ended 31 March 2014 (unaudited)	3 months period ended 31 March 2013 (unaudited)	Year ended 31 December 2013 (audited)
Net profit (loss) for the period	(295)	6 544	(179 910)
Items to recognise in profit/loss in future periods:			
Exchange difference on translation of foreign operations	64	(452)	152
Total net other comprehensive income	64	(452)	152
Total comprehensive income for the period	(231)	6 092	(179 758)

Standalone balance sheet

	As at 31 March 2014 (unaudited)	As at 31 December 2013 (audited)	As at 31 March 2013 (unaudited)
ASSETS			
Non-current assets			
Property, plant and equipment	385	263	304
Intangible assets	1 320	1 321	1 325
Investment in subsidiaries, associates and joint ventures	827 168	822 189	1 064 482
Other financial assets (non-current)	-	-	182
Other non-financial assets (non-current)	763	5 745	889
	829 636	829 519	1 067 183
Current assets			
Trade and other receivables	40 790	44 489	36 133
Income tax receivables	308	811	1 164
Other financial assets	20 600	21 142	21 836
Other non-financial assets	756	609	966
Cash and cash equivalents	12 724	9 018	10 047
	75 177	76 069	70 147
TOTAL ASSETS	904 813	905 588	1 137 330
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company			
Share capital	69 288	69 288	69 288
Share premium	652 662	652 662	651 580
Other reserves	147 871	147 871	135 424
Foreign currency translation	256	192	(412)
Retained earnings / Accumulated (unabsorbed) losses	(180 264)	(179 968)	20 014
Total equity	689 813	690 044	875 894
Non-current liabilities			
Interest-bearing loans, borrowings and bonds	175 525	175 428	200 000
Provisions	728	733	869
Deferred tax liabilities	1	1	1
Accruals and deferred income	842	2 026	1 750
	177 096	178 188	202 621
Current liabilities			
Interest-bearing loans, borrowings and bonds	2 473	114	24 561
Trade payables	30 863	33 523	30 231
Other current liabilities	1 035	1 170	1 258
Accruals and deferred income	3 534	2 548	2 765
	37 904	37 356	58 816
TOTAL LIABILITIES	215 000	215 544	261 436
TOTAL EQUITY AND LIABILITIES	904 813	905 587	1 137 330

Standalone cash flow statement

	3 months period ended 31 March 2014 (unaudited)	3 months period ended 31 March 2013 (unaudited)	Year ended 31 December 2013 (audited)
Cash flow from operating activities			
Profit (loss) before taxation	(295)	6 544	(179 910)
Adjustments for:			
Depreciation	23	30	99
Gain / (loss) from foreign exchange differences	66	(459)	154
Impairment of non-current assets	842	-	250 628
Net interest and dividends	2 133	(1 921)	1 647
Gain/loss from investing activities	(6)	-	1 860
Increase / decrease in receivables and other non-financial assets ^{other non-financi}	3 557	(6 631)	(15 726)
Increase / decrease in payables except for loans and borrowings	(2 795)	772	10 562
Change in accruals and prepayments	(199)	(697)	(483)
Change in provisions	(5)	42	(94)
Income tax paid	503	658	1 011
Loans granted	374	74 484	6 439
Net cash flow from operating activities	4 199	72 821	76 185
Cash flow from investing activities			
Proceeds from property, plant and equipment and intangible assets	20	-	-
Purchase of property, plant and equipment and intangible assets	(161)	(9)	(40)
Increase of shares in subsidiaries	-	(10 763)	(37 234)
Proceeds from sales of shares to non-controlling interest	-	-	3 979
Acquisition of shares in subsidiary	-	(7 151)	(4 977)
Net cash flow from investing activities	(141)	(17 923)	(38 272)
Cash flow from financing activities			
Repayment of loans	-	(71 900)	(71 900)
Loans received	-	-	16 690
Interest paid	(352)	(3 306)	(4 041)
Net cash flow from financing activities	(352)	(75 206)	(59 251)
Net increase/(decrease) in cash and cash equivalents	3 707	(20 308)	(21 338)
Cash and cash equivalents at the beginning of the period	9 018	30 356	30 356
Cash and cash equivalents at the end of the period	12 724	10 047	9 018

Standalone statement of changes in equity

	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/(loss) for the period	-	-	-	-	(295)	(295)
Total comprehensive income	-	-	64	-	(295)	(231)
Issue of shares	-	-	-	-	-	-
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 2013	55 404	580 878	40	200 407	13 471	850 198
Foreign currency translation	-	-	(452)	-	-	(452)
Net profit for the period	-	-	-	-	6 544	6 543
Total comprehensive income	-	-	(452)	-	6 544	6 092
Issue of shares	13 884	70 702	-	(64 983)	-	19 603
As at 31 March 2013 (unaudited)	69 288	651 580	(412)	135 424	20 014	875 894

	Share capital	Share premium	Translation reserve	Other reserves	Retained earnings (losses)	Total equity
As at 1 January 2013	55 404	580 878	40	200 407	13 471	850 198
Net profit for the period	-	-	-	-	(179 910)	(179 910)
Other comprehensive income	-	-	152	-	-	152
Total comprehensive income	-	-	152	-	(179 910)	(179 758)
Issue of shares	13 884	70 702	-	(64 983)	-	19 603
Profit distribution	-	1 082	-	12 447	(13 529)	-
As at 31 December 2013 (audited)	69 288	652 662	192	147 871	(179 969)	690 044

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 410,000 tons of pulp annually. The Group has three distribution companies engaged in sales, distribution and marketing of the products offered by the Group in Nordic countries and 12 Sales Offices to ensure access for all European markets, including Central and Eastern Europe.

Our consolidated sales revenues for three months of 2014 amounted to PLN 804 million.

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

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

The Parent Company is entered in the 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.

The quarterly interim condensed consolidated financial statements of the Group comprise income statement, statement of comprehensive income, cash flow statement and statement of changes in equity for the period of three months ended 31st March 2014 and includes comparative data for three months period ended 31st March 2013 as well as for twelve months period ended 31st December 2013.

The quarterly interim condensed financial statements of the Group comprise also balance sheet as on 31st March 2014 and includes comparative data as on 31st December 2013 and 31st March 2013.

Business activities

The main area of the 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

The main shareholder of Arctic Paper S.A. is Trebruk AB, a company under Swedish law, holding as on 31st March 2014 41,360,449 shares of the Company constituting 59.69% of share capital of the Company and corresponding to 59.69% of total votes in Shareholders Meeting. Thus Trebruk AB is the

parent company of Arctic Paper S.A. Moreover, Nemus Holding AB, holder of 5,863,658 shares constituting 8.46% of the total number of Shares is a parent company of Trebruk AB.

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

2. Composition of the Group

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

Entity	Registered office	Business activities	Share in capital of subsidiaries entities		
			as at		
			15 May 2014	31 March 2014	31 December 2013
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, Raboisen 3, 20095 Hamburg	Trading services	100%	100%	100%
Arctic Paper Benelux S.A.	Belgium, Dreve des Marroniers 28, 1410 Waterloo	Trading services	100%	100%	100%
Arctic Paper Schweiz AG	Switzerland, Technoparkstrasse 1, 8005 Zurich	Trading services	100%	100%	100%
Arctic Paper Italia srl	Italy, Milano – Via R. Boscovich 14	Trading services	100%	100%	100%
Arctic Paper Ireland Limited	Ireland, 4 Rosemount Park Road, Dublin 11	Trading services	100%	100%	100%

Entity	Registered office	Business activities	Share in capital of subsidiaries entities as at		
			15 May 2014	31 March 2014	31 December 2013
Arctic Paper Danmark A/S	Denmark, Jydekrogen 18, DK-2625 Vallengbaek	Trading services	100%	100%	100%
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, Hainburgerstrasse 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 Odra	Trading services	100%	100%	100%
Arctic Paper Investment GmbH *	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Holding company	100%	100%	100%
Arctic Energy Sverige AB (previous	Sweden, Box 383, 401 26 Göteborg	Hydro energy production	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%
Grycksbo Paper Holding AB	Sweden, Box 1, SE 790 20 Grycksbo	Holding company	100%	100%	100%
EC Kostrzyn Sp. z o.o.	Poland, ul. Fabryczna 1, 66-470 Kostrzyn nad Odra	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	Pulp production	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 2014 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 2014, 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.

On 12th February 2014, the Supervisory Board appointed Mr. Michał Sawka as a Member of the Management Board (current report 1/2014).

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

3.2. Supervisory Board of the Parent Company

As on 31st March 2014, 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;
- Kjell Olsson – Member of the Supervisory Board appointed on 24th October 2013;
- Dariusz Witkowski – Member of the Supervisory Board appointed on 24th October 2013.

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 2014, 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 15th May 2014.

5. Basis of preparation of consolidated financial statements

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

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

The hereby interim condensed consolidated financial statements have been prepared based on the assumption that

the Company will continue as going concern in the foreseeable future. As on the 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.

The 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 2013.

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 2013, except for the following application of changes in standards and new interpretations binding for yearly periods beginning on 1st January 2014.

- Amendments to IAS 32 *Financial Instruments – Presentation: Offsetting Financial Assets and Financial Liabilities* - effective for financial years beginning on or after 1st January 2014,
- Amendments to IAS 10, IFRS 12 and IAS 27 *Investment Entities* (issued on 31st October 2012) – effective for financial years beginning on or after 1st January 2014,
- Amendments to IAS 36 *Recoverable Amounts Disclosures for Non-Financial Assets* (issued on 29th May 2013) – effective for financial years beginning on or after 1st January 2014,
- Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* (issued on 27th June 2013) – effective for financial years beginning on or after 1st January 2014.

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 as investments in subsidiaries, in compliance with IAS 21, are recognized in the consolidated financial statements in other comprehensive income.

The following exchange rates were used for valuation purposes:

	As at 31 March 2014	As at 31 December 2013
USD	3,0344	3,0120
EUR	4,1713	4,1472
SEK	0,4663	0,4694
LVL	N/A	5,9009
DKK	0,5587	0,5560
NOK	0,5050	0,4953
GBP	5,0485	4,9828
CHF	3,4192	3,3816

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

	01/01 - 31/03/2014	01/01 - 31/03/2013
USD	3,0551	3,1469
EUR	4,1858	4,1550
SEK	0,4726	0,4892
LVL	N/A	5,9391
DKK	0,5609	0,5571
NOK	0,5013	0,5591
GBP	5,0560	4,8833
CHF	3,4211	3,3827

6.2. Data comparability

In the three months period ended 31st March 2014, 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. Because of the acquisition of Rottneros Group (holding two pulp production facilities) in December 2012, Arctic Paper Group broadened the scope of 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. 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 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 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						
	Uncoated	Coated	Pulp	Other	Total	Eliminations	Total Group
Revenues							
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)	-
Total segment revenues	460 055	183 977	187 876	9 302	841 210	(36 718)	804 492
Segment's Result							
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)
Profit before tax	7 780	(4 683)	8 197	548	11 841	(373)	11 468
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 three months period ended 31st March 2013 and represents the situation as on 31st March 2013.

Three months period ended 31st March 2013 and as on 31st March 2013

	Continuing Operations						
	Uncoated	Coated	Pulp	Other	Total	Eliminations	Total Group
Revenues							
Sales to external customers	475 292	181 676	165 372	-	822 339	-	822 339
Inter-segment sales	9 204	12 955	15 746	10 000	47 905	(47 905)	-
Total segment revenues	484 496	194 631	181 118	10 000	870 244	(47 905)	822 339
Segment's Result							
EBITDA	27 251	-113	4 892	1 596	33 626	(1 259)	32 368
Interest Income	3 675	41	0	5 965	9 682	(9 299)	383
Interest Costs	(6 286)	(6 706)	(489)	(4 045)	(17 526)	9 907	(7 619)
Depreciation	(12 560)	(9 646)	(9 819)	(30)	(32 055)	-	(32 055)
Positive FX and other financial income	450	-	1 468	510	2 428	(221)	2 207
Negative FX and other financial costs	(919)	(40)	-	(16)	(975)	221	(754)
Profit/(Loss) before tax	11 611	(16 464)	(3 949)	3 981	(4 820)	(651)	(5 471)
Segment assets	1 358 807	510 937	498 958	424 593	2 793 295	(805 982)	1 987 313
Segment liabilities	944 033	622 320	172 965	261 435	2 000 753	(850 126)	1 150 627
Capital expenditures	(14 495)	(3 594)	(978)	(9)	(19 076)	-	(19 076)

- Revenues from inter-segment transactions are excluded on consolidation.
- Segment result does not include financial income (PLN 2,590 thousand of which PL 383 thousand is interest income) and financial costs (PLN 8,374 thousand of which PLN 7,619 thousand is interest costs), amortization and depreciation (PLN 32,055 thousand), as well as income tax charges (PLN -609 thousand). However, segment result includes inter-segment sales profit (PLN 1,259 thousand).
- Segment assets and liabilities do not include deferred tax asset and liability (deferred tax asset of PLN 64,921 thousand, deferred tax liability of PLN -61,319 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 2013 and represents the situation as on 31st December 2013.

Twelve months period ended 31st December 2013 and as on 31st December 2013

	Continuing Operations						
	Uncoated	Coated	Pulp	Other	Total	Eliminations	Total Group
Revenues							
Sales to external customers	1 757 955	681 088	665 858	-	3 104 901	-	3 104 901
Inter-segment sales	21 132	48 087	44 582	40 476	154 276	(154 276)	-
Total segment revenues	1 779 087	729 175	710 440	40 476	3 259 177	(154 276)	3 104 901
Segment's Result							
EBITDA	73 492	-3 802	-8 341	11 648	72 997	(135)	72 862
Interest Income	12 426	140	0	21 099	37 661	(32 526)	1 139
Interest Costs	(25 439)	(24 465)	(1 456)	(11 475)	(102 636)	35 011	(27 825)
Depreciation	(52 112)	(34 823)	(34 487)	(99)	(225 144)	-	(121 521)
Impairments of non-current assets	(1 122)	(101 855)	-	(274 752)	(495 769)	274 747	(102 981)
Positive FX and other financial income	4 219	-	-	78 753	82 971	(82 855)	117
Negative FX and other financial costs	(6 283)	(1 293)	(485)	(1 931)	(11 285)	5 484	(4 509)
Profit before tax	5 181	(166 098)	(44 770)	(176 757)	(382 444)	199 725	(182 719)
Segment assets	1 246 372	334 510	423 597	209 866	2 214 345	(500 870)	1 713 474
Segment liabilities	906 176	351 758	159 127	215 543	1 632 603	(548 657)	1 083 946
Capital expenditures	(63 858)	(6 418)	(16 991)	(70)	(87 337)	-	(87 337)

- Revenues from inter-segment transactions are excluded on consolidation.
- Segment result does not include financial income (PLN 1,255 thousand of which 1,139 PLN is interest income) and financial costs (PLN 32,333 thousand of which PLN 27,825 thousand is interest costs), amortization and depreciation (PLN 121,521 thousand), impairment of non-financial assets (PLN 102,981 thousand), as well as income tax charges (PLN +30,566 thousand). However, segment result includes inter-segment sales profit (PLN 135 thousand).
- Segment assets and liabilities do not include deferred tax asset and liability (deferred tax asset of PLN 65,891 thousand, deferred tax liability of PLN 28,979 thousand) as these positions are managed in the Group level. Segment assets do not also include investments in companies from within the Group

9. Dividend paid and proposed

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

In accordance with provisions of the Code of Commercial Companies, the parent company is obliged to establish a 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 this report.

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 BRE Bank 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 2014, the 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 2014 (unaudited)	3 months period ended 31 March 2013 (unaudited)
Net profit (loss) for the year from continuing operations attributable to equity holders	5 702	(4 132)
Profit (loss) for the period from discontinued operations attributable to equity holders of the parent	-	-
Net profit (loss) for the year from continuing operations attributable to equity holders	5 702	(4 132)
Number of share - serie A	50 000	50 000
Number of share - serie B	44 253 500	44 253 500
Number of share - serie C	8 100 000	8 100 000
Number of share - serie E	3 000 000	3 000 000
Number of share - serie F	13 884 283	13 884 283
Total number of shares (in thousand)	69 287 783	69 287 783
Weighted average number of shares	69 287 783	67 736 271
Weighted average diluted number of shares	69 287 783	67 736 271
Profit/(Loss) per share (in PLN)	0,08	(0,06)
Diluted profit/(loss) per share (in PLN)	0,08	(0,06)

11. Interest-bearing loans, borrowings and bonds

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 BRE Bank S.A) in the amount of PLN 8,736 thousand and reduced its

debt under overdrafts towards the aforementioned consortium of banks and Svenska Handelsbanken in the amount of PLN 10,983 thousand.

Other changes in the amount of loans and borrowings as on 31st March 2014 compared to 31st December 2013 result mainly from the changes of balance sheet evaluation.

12. Equity securities

	As at 31 March 2014 (unaudited)	As at 31 December 2013 (audited)
'A' class ordinary shares of PLN 1 each	50	50
'B' class ordinary shares of PLN 1 each	44 254	44 254
'C' class ordinary shares of PLN 1 each	8 100	8 100
'E' class ordinary shares of PLN 1 each	3 000	3 000
'F' class ordinary shares of PLN 1 each	13 884	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 2013 (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, forward contracts for the purchase of electricity, as well as forward contracts for the sales of pulp.

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, Paper Mills and Pulp Mills use forward contracts for electricity purchases to reduce the volatility of future electricity prices. Pulp Mills also use forward contracts for sales of pulp. Arctic Paper Kostrzyn made SWAP interest contracts to reduce the volatility of future costs of interest on loans.

As on 31st March 2014, the Group used cash flow hedge accounting for the following hedging relations:

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

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 part of the future highly probably cash flows resulting from export sales
Hedging instruments	Hedging instruments are FX forward transactions in which the Company commits to sell EUR for USD
Forward contract parameters	
Trade date	1.10.2013
Delivery date	24.04.2014
Hedged amount	1.00 mln EURO
Forward ratio	1.3747

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

Hedge type	Hedging the cash flow variations related to the planned purchases of electricity in foreign currencies
Hedge item	Hedged item is part of the future highly probably cash flows resulting from purchases of electricity denominated in EURO
Hedging instruments	Hedging instruments are FX forward transactions in which the Company commits to purchase EUR for SEK
Forward contract parameters	
Trade date	2012 and 2013
Delivery date	depending on the contract, until 31.12.2016
Hedged amount	9.0 mln EUR
Forward ratio	9.16 SEK/EUR

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

Hedge type	Hedging the cash flow variations related to the planned sales in foreign currencies
Hedge item	Hedged item is part of the future highly probably cash flows resulting from export sales
Hedging instruments	Hedging instruments are FX forward transactions in which the Company commits to sell EUR for SEK
Forward contract parameters	
Trade date	2 013
Delivery date	depending on the contract, until 31.12.2014
Hedged amount	1.0 mln EUR
Forward ratio	8.84 SEK/EUR

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

Hedge type	Hedging the cash flow variations related to the planned sales in foreign currencies
Hedge item	Hedged item is part of the future highly probably cash flows resulting from export sales
Hedging instruments	Hedging instruments are FX forward transactions in which the Company commits to sell EUR for PLN
Forward contract parameters	
Trade date	2 013
Delivery date	depending on the contract, until 27.06.2014
Hedged amount	4.5 mln EUR
Forward ratio	from 4.4015 to 4.4150 EUR/PLN

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 part of the future highly probably cash flows resulting from electricity purchases
Hedging instruments	Hedging instruments are forward transactions for electricity purchases on the Nord Pool Stock Exchange
Forward contract parameters	
Trade date	depending on the contract, since 01.05.2009
Delivery date	depending on the contract, until 31.12.2016
Hedged amount	818.000 MWh
Forward price	from 30.25 to 48.80 EUR/MWh

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

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

Hedge type	Hedging the cash flow variations related to sales of pulp
Hedge item	Hedged item is part of the future highly probably cash flows resulting from sales of pulp
Hedging instruments	Hedging instruments are forward transactions for sales of pulp in SEK
Forward contract parameters	
Trade date	2 013
Delivery date	depending on the contract, until 31.12.2014
Hedged amount	18.000 ton
Forward price	5 720 SEK/tonne

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

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

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

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

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

The table below presents fair value of hedging instruments in cash flow hedge accounting as on 31st March 2014 and the comparative data:

	As at 31 March 2014		As at 31 December 2013	
	(unaudited)	(unaudited)	(audited)	(audited)
	Assets	Liabilities	Assets	Liabilities
FX forward	1 400	699	1 685	1 125
Pulp forward	-	2 098	-	1 661
SWAP	-	1 033	-	794
Electricity forward	-	28 773	-	23 945
Total hedging derivatives	1 400	32 604	1 685	27 525

14. Financial risk management objectives and policies

The Group's principal financial instruments comprise bank loans, financial leases and hire purchase contracts, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for Group'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 2013 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 2013 there have been no significant changes in the objectives and policies of capital management.

16. Contingent liabilities and contingent assets

As on 31st March 2014, 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 1,502 thousand (PLN 700 thousand) in Arctic Paper Grycksbo AB and of SEK 711 thousand (PLN 332 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 2,722 thousand (PLN 1,269 thousand);
- a bank guarantee in favor of Skatteverket Ludvika in the amount of SEK 135 thousand (PLN 63 thousand);
- on 15th March 2012 AP S.A. granted a collateral in favor of Cartiere del Garda S.P.A - paper supplier to the Distribution Companies (Arctic Paper Sweden AB, Arctic Paper Denmark A/S, Arctic Paper Norge AS). The guarantee stands for total amount of EUR 1,000 thousand (PLN 4,171 thousand) and was valid until 28th March 2014,

- guarantees granted by the companies of Rottneros Group in the total amount of SEK 3,000 thousand (PLN 1,399 thousand),
- a guarantee in favor of Södra Cell International AB, the supplier of pulp, in the total amount of SEK 12,000 thousand (PLN 5,596 thousand).

Apart from the aforementioned guarantees, Arctic Paper Mochenwangen GmbH has a contingent liability in the amount of EUR 7,489 thousand (PLN 31,239 thousand) connected with exercising the benefit of lowered electricity costs in 2012 and 2013. Lower charges for electricity had been offered by German state authorities on the grounds of support granted to companies which used renewable sources of energy. Currently the European Union considers if such help is compliant with EU law. German government claims that no infringement of EU law occurred regarding state relief to entrepreneurs. Actions of the government were aimed mostly at supporting pro-environmental proceedings, including encouraging companies to use renewable sources of energy. The Management Boards of Arctic Paper Mochenwangen GmbH and Arctic Paper S.A.

are of the opinion that the EU is likely to decide for the favorable decision for German state authorities and the companies who benefit from the support. Therefore there has

been no provision recorded in consolidated income statement for the first quarter of 2014.

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 2017.

The tables below specify the allocation for 2013 and 2014 approved by the EU and the usage of emission rights by each of the five entities.

(in tonnes) for Arctic Paper Kostrzyn S.A.	2013	2014
Amount granted	108 535	105 434
Amount unused from previous years	348 490	306 448
Amount used	(150 577)	(36 299)
Amount purchased	-	-
Amount sold	-	-
Amount unused	306 448	378 684

(in tonnes) for Arctic Paper Munkedals AB	2013	2014
Amount granted	44 238	43 470
Amount unused from previous years	24 305	67 262
Amount used	(1 281)	(123)
Amount purchased	-	-
Amount sold	-	-
Amount unused	67 262	110 609

(in tonnes) for Arctic Paper Mochenwangen GmbH	2013	2014
Amount granted	112 141	*
Amount unused from previous years	(78 861)	1 398
Amount used	(110 743)	(26 652)
Amount purchased	78 861	25 000
Amount sold	-	-
Amount unused	1 398	(254)

* amount not approved yet by European Union

(in tonnes) dla Arctic Paper Grycksbo AB	2013	2014
Amount granted		75 689
Amount unused from previous years		111 448
Amount used		
Amount purchased		
Amount sold		
Amount unused		187 137

(in tonnes) for Rottneros' subsidiaries	2013	2014
Amount granted	30 681	30 681
Amount not used in previous years	72 888	90 522
Amount used	(13 047)	(3 550)
Amount purchased	-	-
Amount sold	-	-
Amount unused	90 522	117 653

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 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. The Group is a subject to an inspection by the authorized authorities. The inspection concerns checking of all conditions explained in the permission.

During the period from 25th August 2006 to 31st March 2014, 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 46,672 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 2014 amounted to PLN 17,461 thousand (unrecognized asset: PLN 2,225 thousand).

20. Significant events after balance sheet date

No material events occurred after the balance sheet date, which would have an influence on the Group's property and financial standing.

Signatures of Members of the Management Board

Position	Name and surname	Date	Signature
President of the Management Board Chief Executive Officer	Wolfgang Lübbert	15 May 2014	
Member of the Management Board Chief Financial Officer	Małgorzata Majewska-Śliwa	15 May 2014	

Headquarters

Arctic Paper S.A.

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