

## REPORT ON THE ACTIVITIES OF THE SUPERVISORY BOARD

### OF ARCTIC PAPER S.A. IN 2014

The Supervisory Board presents a report on its activities in the fiscal year 2014, including in particular the results of the assessment of the Management Board's report on the Company's operations in the fiscal year 2014, the Company's financial statement for 2014, and the evaluation of the activities of the Supervisory Board and an assessment of the internal control system and the system for managing risk faced by the Company.

#### 1. Composition of the Supervisory Board

In 2014, the Supervisory Board composed of:

- Rolf Olof Grundberg - Chairman of the Supervisory Board;
- Rune Roger Ingvarsson - Member of the Supervisory Board;
- Thomas Onstad - Member of the Supervisory Board;
- Mariusz Grendowicz - Member of the Supervisory Board;
- Dariusz Witkowski - Member of the Supervisory Board;
- Roger Mattsson - Member of the Supervisory Board appointed on 16th September 2014.

On 16th September 2014, Mr. Kjell Olsson resigned from being a Member of the Supervisory Board.

In the period from 1 January 2014 to 31 December 2014, the Chairman of the Supervisory Board was Mr. Rolf Olof Grundberg.

#### 2. Activities of the Supervisory Board

The Supervisory Board operates under the provisions of the Code of Commercial Companies as well as on the basis of the Company's Articles of Association and Rules of the Supervisory Board dated 22 October 2008. In 2014, the Supervisory Board supervises the Company's activities in all areas. The Supervisory Board paid particular attention to the analysis of the financial results, activities aimed at improving the efficiency of the Company and changes in its sales policy.

During the reporting period, the Supervisory Board conducted its activities in the course of meetings convened by the Chairman. All meetings were minuted and decisions were taken by the Supervisory Board either in the form of resolutions or stated in the minutes.

In the reporting period, i.e. from 1 January 2014 to 31 December 2014, four meetings of the Supervisory Board of Arctic Paper S.A. were held on the following dates:

1. 12 February 2014;
2. 29 May 2014;
3. 17 September 2014;

4. 26 November 2014.

All Supervisory Board meetings were convened properly. The Supervisory Board meetings were also attended by Members of the Management Board:

- Wolfgang Lübbert - President of the Management Board;
- Małgorzata Majewska - Śliwa - Member of the Management Board;
- Jacek Łoś - Member of the Management Board;
- Per Skoglund - Member of the Management Board;
- Michał Sawka - Member of the Management Board appointed on 12th February 2014.

The Supervisory Board performs its duties collectively as well as with the help of the Audit Committee, the Remuneration Committee and Risk Committee.

#### **The Audit Committee**

The Audit Committee was composed of:

- Rolf Olof Grundberg;
- Rune Ingvarsson;
- Mariusz Grendowicz.

The basic task of the Audit Committee is advisory to the Supervisory Board on issues or proper implementation and control of the financial reporting processes in the Company, effectiveness of internal control and risk management systems and cooperating with certified auditors.

#### **The Remuneration Committee**

The Remuneration Committee was composed of:

- Rolf Olof Grundberg;
- Roger Mattsson.

The basic task of the Remuneration Committee is advisory to the Supervisory Board on issues related to remuneration policy, bonus policy, and other issues related to the remuneration of the employees, members of the Company's authorities and the authorities of Capital Group companies.

#### **The Risk Committee**

The Risk Committee was composed of:

- Rolf Olof Grundberg;
- Mariusz Grendowicz;
- Dariusz Witkowski.

The basic task of the Risk Committee is advisory to the Supervisory Board on issues related to proper identification, assessment and control of potential risks, i.e. opportunities and threats of the Company strategy goals' realization, with particular consideration for financial risk, related to both external factors (such as volatility of exchange rates, interest rates, general international economic

condition) and internal factors (such as cash flows, liquidity management, variation of budget and financial forecasts);

**3. Assessment of the Management Board's Report on the Company's operations in the fiscal year 2014, the Company's financial statement for the financial year 2014 and the Management Board's proposal regarding the distribution of profit generated by the Company in the fiscal year 2014.**

Acting pursuant to Art. 382 § 3 of the Code of Commercial Companies and in conjunction with the provisions of Art. 18.2 of the Articles of Association - the Supervisory Board has analysed the consolidated and the Company's standalone financial statement for the period from 1 January 2014 to 31 December 2014 prepared by the Management Board and reviewed by an auditor, consisting of:

- Consolidated balance sheet as at 31 December 2014, with assets and liabilities amounting to PLN thousand 1,762,790 and standalone balance sheet as at 31 December 2014, with assets and liabilities amounting to PLN thousand 936,635;
- Consolidated profit and loss account for the period from 1 January 2014 to 31 December 2014, showing a net profit of PLN thousand 78,175 and standalone profit and loss account for the period from 1 January 2014 to 31 December 2014, showing a net loss of PLN thousand 25,110;
- Consolidated statement of changes in equity for the period from 1 January 2014 to 31 December 2014 showing an increase in equity of PLN thousand 53,539 and standalone statement of changes in equity for the period from 1 January 2014 to 31 December 2014 showing an decrease in equity of PLN thousand 25,151;
- Consolidated cash flow statement for the period from 1 January 2014 to 31 December 2014, showing an increase in net cash of PLN thousand 41,873 and standalone cash flow statement for the period from 1 January 2014 to 31 December 2014, showing an increase in net cash of PLN thousand 9,589;
- principles (policies) of accounting and other explanatory notes.

The Supervisory Board took note of the report and the opinion of Ernst & Young Audit Spółka z ograniczoną odpowiedzialnością Spółka komandytowa signed by a certified auditor Robert Klimacki, who confirmed that both consolidated and standalone financial statement in all material respects:

- give a true and fair view of the information relevant for the assessment of the economic and financial condition of the Group and the Company for the period from 1 January 2014 to 31 December 2014 as well as its financial result for the period from 1 January 2014 to 31 December 2014,
- have been prepared correctly, i.e. in accordance with the International Financial Reporting Standards as adopted by the EU and based on properly maintained accounting records,

- are consistent with (i) the regulations governing the preparation of financial statements and (ii) the provisions of the Articles of Association relevant to the form and contents of the financial statement.

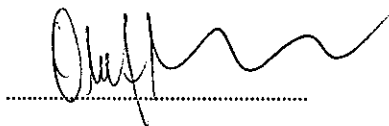
The Supervisory Board has examined the Management Board's report on the Company's operations in the financial year 2014 and the Management Board's proposal regarding the coverage of the net loss for the financial year 2014.

Following the evaluation of the results contained in the Company's financial statement and the Management Board's Report on the Company's operations and the Management Board's proposal regarding the coverage of the net loss from the Company's reserve capital, having regard to the opinion of the auditor, the Supervisory Board assesses that the financial statement for the year 2014 and the Management Board's Report for the fiscal year 2014 are in line with the books and documents of the Company as well as the facts.

The Supervisory Board adopts the report, expresses its approval for the activities of the Management Board in 2014 and recommends that the Annual General Meeting discharges the Members of the Management Board: Mr. Wolfgang Lübbert, Mrs. Małgorzata Majewska-Śliwa, Mr. Jacek Łoś, Mr. Per Skoglund and Mr. Michał Sawka for the performance of their duties in the financial year 2014.

Having examined the Management Board's proposal regarding the coverage of net loss from the Company's reserve capital, the Supervisory Board accepts the proposal and recommends that the Annual General Meeting adopts a relevant resolution on loss coverage as proposed by the Management Board.

In the opinion of the Supervisory Board, 2014 was a successful year for the Company. Market conditions turned out to be less turbulent than expected, allowing the Company to improve its market share and position, which was reflected in good results. With a view to the Company's future, the Supervisory Board highlights the need to take further action by the Management Board in order to constantly strengthen its market position, search for cost effectiveness and optimise synergies in operations. Special attention shall be paid to the changes in currency rates, which may have huge impact on Company's results in the coming financial year.



[Rolf Olof Grundberg, Chairman; on behalf of the Supervisory Board of Arctic Paper S.A.]