

**Mondi SCP, a.s.**

**INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS  
PREPARED IN ACCORDANCE WITH  
INTERNATIONAL FINANCIAL  
REPORTING STANDARDS (IFRS) AS  
ADOPTED BY THE EU**

**FOR THE YEAR ENDED  
31 DECEMBER 2015**

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## Mondi SCP, a.s.

### INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of Mondi SCP, a.s.:

We have audited the accompanying financial statements of Mondi SCP, a.s. (the "Company"), which comprise the statement of financial position as at 31 December 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### **Statutory Body's Responsibility for the Financial Statements**

The Company's statutory body is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

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

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

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

#### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mondi SCP, a.s. as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with the Act on Accounting and International Financial Reporting Standards as adopted by the EU.

Bratislava, 29 March 2016



Deloitte Audit s.r.o.  
Licence SKAu No. 014



Ing. Patrik Ferko, FCCA  
Responsible Auditor  
Licence UDVA No. 1045

This is an English language translation of the original Slovak language document.



**Mondi SCP, a.s.**  
**STATEMENT OF FINANCIAL POSITION**  
**as at 31 December 2015 and 31 December 2014**

<b>(EUR '000)</b>	<b>Note</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	9	586	964
Property, plant and equipment	10	439 251	460 951
Investments in subsidiary undertakings	11	4 334	4 334
Investments in associated undertakings	11	-	-
		<u>444 171</u>	<u>466 249</u>
<b>Current assets</b>			
Inventories	12	36 459	40 094
Trade and other receivables	13	66 847	75 716
Current tax assets		-	661
Cash and cash equivalents	14	80 032	8 333
Financial derivative assets		-	-
		<u>183 338</u>	<u>124 804</u>
<b>TOTAL ASSETS</b>		<b><u>627 509</u></b>	<b><u>591 053</u></b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Registered capital	15	153 855	153 855
Capital and other funds	16	87 333	87 337
Retained earnings		<u>247 960</u>	<u>216 116</u>
<b>TOTAL EQUITY</b>		<b><u>489 148</u></b>	<b><u>457 308</u></b>
<b>Non-current liabilities</b>			
Payables from employee benefits		2 359	2 264
Deferred tax liabilities	18	40 786	42 939
Provisions for liabilities	19	1 315	1 231
Other non-current liabilities		<u>1 201</u>	<u>1 350</u>
		<u>45 661</u>	<u>47 784</u>
<b>Current liabilities</b>			
Short-term bank loans and borrowings	17	-	4
Trade and other payables	20	87 416	85 957
Current tax liabilities		5 284	-
Provisions for liabilities	19	-	-
		<u>92 700</u>	<u>85 961</u>
<b>TOTAL LIABILITIES</b>		<b><u>138 361</u></b>	<b><u>133 745</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>627 509</u></b>	<b><u>591 053</u></b>

**Mondi SCP, a.s.**  
**STATEMENT OF CHANGES IN EQUITY**  
**for the years ended 31 December 2015 and 31 December 2014**

<i>(EUR '000)</i>	<i>Registered Capital</i>	<i>Capital Funds</i>	<i>Other Funds</i>	<i>Retained Earnings</i>	<i>Total</i>
Balance at 1 January 2014	153 855	87 550	(170)	189 900	431 135
Profit for the current year	-	-	-	46 216	46 216
Actuarial loss on provisions from the employee benefit plan	-	-	(43)	-	(43)
Dividends paid	-	-	-	(20 000)	(20 000)
<b>Balance at 31 December 2014</b>	<b>153 855</b>	<b>87 550</b>	<b>(213)</b>	<b>216 116</b>	<b>457 308</b>
Profit for the current year	-	-	-	71 844	71 844
Actuarial loss on provisions from the employee benefit plan	-	-	(4)	-	(4)
Dividends paid	-	-	-	(40 000)	(40 000)
<b>Balance at 31 December 2015</b>	<b>153 855</b>	<b>87 550</b>	<b>(217)</b>	<b>247 960</b>	<b>489 148</b>

**Mondi SCP, a.s.**  
**STATEMENT OF CASH FLOW**  
**for the years ended 31 December 2015 and 31 December 2014**

<b>(EUR '000)</b>	<b>Note</b>	<b>Year Ended 31 December 2015</b>	<b>Year Ended 31 December 2014</b>
<b>Operating activities</b>			
Operating profit		83 353	49 204
Non-cash transactions			
- Depreciation and impairment of non-current assets		43 624	46 496
- Loss/(profit) from sale of non-current assets		154	(19)
- Movements in provisions		(490)	1 373
- Unrealised foreign currency exchange rate differences		-	3
- Other non-cash transactions		148	192
Operating cash flows before movements in working capital		126 789	97 249
Effect of movements in working capital			
- Decrease/(increase) of inventories		4 144	(6 251)
- Decrease/(increase) of receivables		7 851	3 776
- Increase/(decrease) of liabilities		14 757	(13 493)
Cash flows from operating activities before taxes and interest		153 541	81 281
Interest paid		(17)	(33)
Income tax paid		(8 316)	(2 921)
<b>Net cash from operating activities</b>		<b>145 208</b>	<b>78 327</b>
<b>Investing activities</b>			
Acquisition of plant, property, equipment and intangible assets		(34 098)	(92 798)
Proceeds from the sale of property, plant and equipment		(55)	25
Expenditures for the purchase of financial investments		-	-
Proceeds from the sale of non-current financial investments and ownership interests		-	-
Interest received		42	80
Dividends received		704	1 330
<b>Net cash flows from investing activities</b>		<b>(33 407)</b>	<b>(91 363)</b>
<b>Financing activities</b>			
Proceeds from/(expenditures for) other non-current liabilities		-	1 350
Share-based payments		(102)	(141)
Dividends paid		(40 000)	(20 000)
<b>Net cash flows from financing activities</b>		<b>(40 102)</b>	<b>(18 791)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>71 699</b>	<b>(31 827)</b>
Cash and cash equivalents at the beginning of the year	14	8 333	40 160
Foreign exchange gains from cash and cash equivalents		-	-
<b>Cash and cash equivalents at the end of the year</b>	<b>14</b>	<b>80 032</b>	<b>8 333</b>

**Mondi SCP, a.s.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2015**

**1. GENERAL INFORMATION**

**a) Essential Information on the Company**

<b>Business name and seat</b>	Mondi SCP, a.s. Tatranská cesta 3 034 17 Ružomberok
<b>Date of establishment</b>	7 September 1995
<b>Date of incorporation</b>	1 October 1995
<b>(according to the Commercial Register)</b>	
<b>Company ID (IČO)</b>	31 637 051
<b>Tax ID (DIČ)</b>	SK2020431116
<b>Business activity</b>	<ul style="list-style-type: none"> <li>– Paper and cardboard production;</li> <li>– Cellulose production;</li> <li>– Other paper and cardboard products production – wrapping paper production;</li> <li>– Wholesale of timber; and</li> <li>– Heat production and distribution, electricity production and distribution etc.</li> </ul>

**b) Employees**

	<b>Year Ended 31 December 2015</b>	<b>Year Ended 31 December 2014</b>
<b>Average headcount</b>	<b>997</b>	<b>1 053</b>
<i>Of which: Managers</i>	<i>17</i>	<i>16</i>
<i>Other managing officers (non-employees)</i>	<i>4</i>	<i>2</i>

**c) Approval of the 2014 Financial Statements**

On 16 April 2015, the Annual General Meeting approved the 2014 financial statements of Mondi SCP, a.s. The Company paid dividends for 2014 to shareholders in the total amount of EUR 40 000 thousand. Dividends in the amount of EUR 30 000 thousand and EUR 10 000 thousand were paid out on 28 April 2015 and 25 August 2015, respectively.

**d) Members of the Company's Bodies**

<b>Body</b>	<b>Function</b>	<b>Name</b>
Board of Directors	Chairman	Miloslav Čurilla
	Deputy Chairman	Peter Orisich
	Member	Roman Senecký until 15 Oct 2015
	Member	Franz Aigner from 16 Oct 2015 until 9 Dec 2015
	Member	Bernhard Peschek since 10 Dec 2015
	Member	Miroslav Vajs
	Member	Franz Hiesinger
Supervisory Board	Chairman	Peter Josef Oswald
	Deputy Chairman	Milan Fiľo
	Member	Ján Krasulfa
Executive Management	President	Bernhard Peschek

**e) Shareholders' Structure and Their Shares in the Registered Capital**

<b>Shareholders</b>	<b>Share in Registered Capital EUR '000</b>	<b>%</b>	<b>Voting Rights in %</b>
ECO-INVEST, a.s.	75 389	49	49
Mondi SCP Holdings B.V., Maastricht	78 466	51	51

**f) Consolidated Financial Statements**

Mondi SCP, a.s. is a subsidiary of Mondi SCP Holdings, B. V., based in Maastricht, the Netherlands, which owns a 51% shareholding in the Company's registered capital.

Mondi, plc. (based in Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG, United Kingdom) prepares the consolidated financial statements for the biggest group of companies, and Mondi AG (based at Kelsenstraße 7, Vienna, Austria) prepares the consolidated financial statements for the smallest group of companies. The consolidated financial statements are available at the seats of the aforementioned entities.

The Company's consolidated financial statements for 2015 are available at its seat in Ružomberok, Tatranská cesta 3.



**g) Unlimited Liability**

The Company is not an unlimited liability partner in any other company.

**h) Statement of Compliance**

The financial statements represent the Company's annual unconsolidated financial statements, which have been prepared for the reporting period from 1 January 2015 to 31 December 2015 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with the Slovak Act on Accounting No. 431/2002 Coll. IFRS as adopted by the EU do not differ from IFRS as issued by the International Accounting Standards Board (IASB), except for certain standards and interpretations, which were not endorsed by the EU, as stated below. In accordance with the Slovak Act on Accounting No. 431/2002 Coll. as amended, the Company is also obliged to prepare consolidated financial statements pursuant to IFRS, as adopted by the EU.

The financial statements are intended for general use and information; they are not intended for the purposes of any specific user or consideration of any specific transactions. Accordingly, users should not rely exclusively on these financial statements when making decisions.

**i) Basis of Preparation of Financial Statements**

The financial statements are prepared under the historical cost convention, except for certain financial instruments that are remeasured to a fair value. The principal accounting policies adopted are set out below. The reporting currency used in these financial statements is the euro (EUR) and amounts are written in thousands of euros, unless indicated otherwise.

These financial statements were prepared under the going concern assumption.

The preparation of financial statements in conformity with IFRS as adopted by the EU requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed in Note 3.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

**j) Interpretations and Amendments to Published Standards Effective in 2015**

The Company adopted all of the new standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB as adopted by the EU that are relevant to its operations and are effective for reporting periods beginning on 1 January 2015. These include the following standards and interpretations:

***Initial application of new amendments to the existing standards and interpretation effective for the current reporting period***

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to various standards "Improvements to IFRSs (cycle 2011 – 2013)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 18 December 2014 (amendments to be applied for annual periods beginning on or after 1 January 2015);
- **IFRIC 21 "Levies"**, adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

**Mondi SCP, a.s.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2015**

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The adoption of these amendments to the existing standards and interpretation has not led to any material changes in the Company's financial statements.

***Amendments to the existing standards issued by IASB and adopted by the EU but not yet effective:***

At the authorisation date of these financial statements, the following amendments to the existing standards issued by IASB and adopted by the EU were in issue but not yet effective:

- **Amendments to IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations, adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Disclosure Initiative, adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** – Clarification of Acceptable Methods of Depreciation and Amortisation, adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** – Agriculture: Bearer Plants, adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 19 "Employee Benefits"** – Defined Benefit Plans: Employee Contributions, adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015);
- **Amendments to IAS 27 "Separate Financial Statements"** – Equity Method in Separate Financial Statements, adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to various standards "Improvements to IFRSs (cycle 2010 – 2012)"** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 17 December 2014 (amendments to be applied for annual periods beginning on or after 1 February 2015); and
- **Amendments to various standards "Improvements to IFRSs (cycle 2012 – 2014)"** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 15 December 2015 (amendments to be applied for annual periods beginning on or after 1 January 2016).

***New standards and amendments to the existing standards issued by IASB, but not yet adopted by the EU***

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in the EU as at 15 March 2016 (the effective dates stated below is for IFRS in full):

- **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2018);
- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;
- **IFRS 15 "Revenue from Contracts with Customers"** and further amendments (effective for annual periods beginning on or after 1 January 2018);
- **IFRS 16 "Leases"** (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"** – Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016);

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** – Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until a research project on the equity method has been concluded);
- **Amendments to IAS 7 "Statement of Cash Flows"** – Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017); and
- **Amendments to IAS 12 "Income Taxes"** – Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).

The Company anticipates that adopting these new standards and amendments to the existing standards will have no material impact on the Company's financial statements in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

Based on the Company's estimates, accounting for hedging instruments in connection with the portfolio of financial assets or financial liabilities under **IAS 39 "Financial Instruments: Recognition and Measurement"** would not have a significant impact on the financial statements had it been adopted as at the reporting date.

## **2. SIGNIFICANT ACCOUNTING PRINCIPLES**

### **a) Foreign Currency**

#### *(i) Transactions in Foreign Currencies*

Transactions in foreign currencies are translated into euros at the rates of the exchange rate list of the European Central Bank (ECB) valid on the date preceding the transaction date. Monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Exchange differences arising on the retranslation of monetary items, are included in statement of comprehensive income for the period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in the statement of comprehensive income for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

### **b) Financial Instruments**

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party of the contractual provisions of the financial instrument.

### **c) Borrowing Costs**

Interest is recognised in expenses in the relevant period. Borrowing costs directly attributable to the acquisition of the debt financial instruments are recognised in expenses over the period of use of the related debt financial instruments.

### **d) Property, Plant and Equipment**

#### *(i) Own Assets*

Property, plant and equipment ("non-current tangible assets") are stated at cost less any subsequent accumulated depreciation and provisions (accumulated impairment losses). The cost includes all directly-attributable costs of bringing the asset into working condition for its intended use. Internally-developed non-current tangible assets are measured at own costs, which include the cost of the material, direct wages and overheads directly associated with the development of the non-current tangible assets up to the moment of putting the asset into use.

Significant components of property, plant and equipment with different useful lives are accounted for and depreciated on an individual basis.

**Mondi SCP, a.s.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2015**

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*(ii) The Company as Lessee*

Leases of non-current tangible assets in terms of which the Company assumes substantially all the risks and rewards associated with the ownership of such assets are classified as finance leases. Plant and equipment acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Lease payments are accounted for as described in the accounting policy (t).

*(iii) Subsequent Expenditures*

Subsequent expenditures incurred to replace a component of non-current tangible assets that is accounted for individually, including inspections and overhaul expenditure, are capitalised if it is probable that the future economic benefits embodied with the items will flow to the Company exceeding its original performance and that the cost of the item can be measured reliably. Other subsequent expenditures are capitalised only when they increase the future economic benefits embodied in the item of assets exceeding their original performance. All other expenditures made after the acquisition of non-current tangible assets to restore or maintain the extent of future economic benefits are recognised as expenses when incurred.

*(iv) Useful Lives*

Buildings and structures	12 – 40 years
Plant and equipment	4 – 20 years
Transportation means	4 – 12 years
Fixtures and fittings	4 – 12 years

Low-value non-current tangible assets (with a cost of up to EUR 1.7 thousand) are depreciated over two years.

Non-current tangible assets acquired under finance lease are depreciated over their expected useful lives on the same basis as own assets.

Gains or losses arising on the disposal or retirement of an item of non-current tangible assets are fully reflected in the statement of comprehensive income.

**e) Non-Current Intangible Assets**

Non-current intangible assets acquired separately are stated at cost less accumulated amortisation and impairment provisions. Non-current intangible assets are amortised over their useful life, ie four years, using the straight-line method. The estimated useful lives and method of amortisation are assessed at the end of each reporting period, with the impacts of changes in estimates reflected in the next reporting period.

Subsequent expenditures are capitalised only when it may be expected that this will increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are expensed as incurred.

**f) Investments in Subsidiaries and Associated Undertakings**

Investments in subsidiaries represent investments in companies exceeding a 50% share in the companies' registered capital or in the voting rights. The acquisition of a subsidiary is recognised using the acquisition method. The cost represents the price of the acquisition and the related ancillary costs (fees and commissions of brokers, advisors, and stock exchange). As at the reporting date, ownership interests in the registered capital of subsidiaries are stated in their initial measurement less impairment provisions.

Investments in associated undertakings are investments in companies in which the Company has a share of more than 20% but less than 50% in the companies' registered capital or voting rights. Investments in associated undertakings are recognised at cost less impairment provisions.

**g) Trade and Other Receivables**

Trade and other receivables are measured at the expected realisable value, including provisions for bad and doubtful receivables.

**h) Inventories**

Inventories are stated at the lower of cost, own costs or net realisable value. The net realisable value represents the estimated selling price less the estimated costs of completion and costs of distribution. Raw material is measured at the weighted average cost, which includes the cost of acquisition of the material and other costs related to the acquisition that arose on bringing the assets to their current condition and location.

Work in progress, semi-finished goods and finished goods are measured at own costs, which include the costs of material, wages and salaries, other direct expenses and production overheads depending on the stage of completion of the inventory.

A provision is created for slow-moving and obsolete inventory.

**i) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, placements and other short-term highly-liquid investments that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. Overdraft facilities payable on demand, which form an integral part of the Company's cash management, represent the part of cash and cash equivalents for the purposes of the cash flow statement.

**j) Impairment of Assets**

At each reporting date, the Company assesses the carrying amounts of its non-current tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of the fair value less costs to sell and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of comprehensive income. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income.

The recoverable amount of the Company's receivables is calculated as the present value of expected future cash flows discounted at their original effective interest rate inherent in the asset. Short-term receivables are not discounted. The recoverable amount of other assets is the higher of the asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely-independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

**k) Dividends**

Dividends are recognised as a liability in the period in which they are declared.

**l) Interest-Bearing Bank Loans and Borrowings**

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any differences between the settlement and redemption of borrowings on an effective interest rate basis are recognised in the statement of comprehensive income over the term of the borrowings on a straight-line basis.

**m) Payables from Employee Benefits**

The Company operates a long-term employee benefit plan consisting of a lump-sum retirement payment and jubilee bonuses, for which no specified funds were allocated. Under IAS 19 "Employee Benefits", the expenses for employee benefits were determined using an incremental actuarial method, the so-called "Projected Unit Credit Method". Under this method, the costs of providing benefits are recognised in the statement of comprehensive income so as to spread the recurring expenses over the term of employment. The entire post-employment benefit obligation is measured at the present value of the estimated future cash outflows discounted at 2.1% (2014: 2.0%). All actuarial gains and losses are recognised through the statement of comprehensive income. Past service costs are recognised immediately to the extent that the benefits are already vested; otherwise, they are amortised on a straight-line basis over the average period until the benefits become vested.

**n) Mandatory Social Security and Pension Schemes**

The Company is required to make contributions to various mandatory insurance schemes, in addition to the contributions made by employees. The expenses for social security are recognised through the statement of comprehensive income in the period when the related salary cost is incurred.

**o) Provisions for Liabilities**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle that obligation, and the amount of obligation can be estimated reliably. Provisions are measured on the basis of the best estimate made by managing the cost of the liability settlement as at the preparation date of the statement of financial position. Where the effect is material, provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**p) Emission Rights**

The Company has opted to record emission rights received using the net liability method and does not record any liability for actual emissions on the basis that the Company has received adequate emission rights to cover its actual emissions.

**q) Trade and Other Payables**

Trade and other payables are initially measured at fair value and subsequently at amortised cost using the effective interest rate method.

**r) Revenue Recognition**

*(i) Goods Sold and Services Rendered*

For sales of goods and merchandise, revenues are recognised when all significant risks and rewards of ownership have been transferred to the buyer and no significant uncertainties remain regarding the collection of consideration, associated costs and possible claims or returning of goods. Revenues are stated net of taxes and discounts. No revenue is recognised if there are significant uncertainties regarding the settlement of the consideration due, the associated costs or the possible return of goods, or regarding the continuous involvement of the Company in managing the goods. Revenues from the provision of services are recognised when the relevant services are rendered in proportion to the stage of completion of transaction at the reporting date.

*(ii) Government Grants*

A government grant is recognised in the statement of financial position when it is certain that the grant will be received and that the Company complies with the conditions attached to it. Grants for the acquisition of non-current tangible assets are recognised through the statement of comprehensive income in revenues on a systematic basis over the useful life of the asset.

**s) Expenses**

*(i) Operating Lease Payments*

For operating leases, the lease payments are expensed on a straight-line basis over the lease period.

*(ii) Finance Lease Payments*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to the whole lease period so as to produce a constant interest rate on the remaining balance of the obligation. The interest expense component of finance lease payments is recognised through the statement of comprehensive income using the effective interest rate method.

*(iii) Finance Costs and Income*

Finance costs and income comprise interest payable on borrowings calculated using the effective interest rate method, interest received, dividend income and foreign exchange gains and losses, and bank fees. Borrowing costs directly attributable to the acquisition of non-current tangible assets are recognised through the statement of comprehensive income when incurred.

Interest income is recognised through the statement of comprehensive income as incurred using the effective yield method. Dividend income is recognised through the statement of comprehensive income on the date on which the dividend is declared.

**t) Income Tax**

Income tax expenses for the year represent the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Corporate tax liability for current tax is calculated using the tax rate that has been enacted or substantively enacted until the preparation date of the statement of financial position.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the calculation of taxable profit, and it is recognised using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. The expected tax rate of 22% valid for the following years was used to calculate deferred income tax. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally-enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATE UNCERTAINTY**

In the process of applying the Company's accounting policies, which are described in Note 2, the Company has made the following judgements that have a highly-significant effect on the amounts recognised in the financial statements. There are risks of potential adjustments in future periods relating to such matters, including the following:

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Useful Lives

Tangible and intangible fixed assets are depreciated in accordance with their estimated actual useful life. The linear book depreciation method is used.

Provisions for Liabilities

Amounts recognised as provisions for liabilities are based on the management's judgment and represent the best estimate of the expenses necessary to settle a liability with uncertain timing or an uncertain amount.

**4. REVENUES**

An analysis of the Company's revenues is as follows:

<b>(EUR '000)</b>	<b>Year Ended 31 December 2015</b>	<b>Year Ended 31 December 2014</b>
Revenues from sale of core products	491 521	456 904
Revenues from sale of non-core products and other revenues	25 336	22 761
<b>Total</b>	<b>516 857</b>	<b>479 665</b>

Revenues from sales of core products mainly include revenues from sales of paper and pulp. Revenues from sales of non-core products and other revenues include revenues from sales of energy, services, and other revenues.

**5. RAW MATERIALS AND CONSUMABLES USED**

Raw materials and consumables used during the reporting period are analysed as follows:

<b>(EUR '000)</b>	<b>Year Ended 31 December 2015</b>	<b>Year Ended 31 December 2014</b>
Raw materials, direct and auxiliary raw material (wood, pulp, chemicals, other)	199 093	210 143
Energy	36 644	39 330
Maintenance	20 321	18 543
Packages	16 831	16 634
Other (goods, services)	7 815	2 318
<b>Total</b>	<b>280 704</b>	<b>286 968</b>

**6. PERSONNEL EXPENSES**

Personnel expenses incurred in the reporting period include the following categories:

<b>(EUR '000)</b>	<b>Year Ended 31 December 2015</b>	<b>Year Ended 31 December 2014</b>
Wages	21 607	21 647
Social expenses	7 289	7 188
Other	1 028	1 083
<b>Total</b>	<b>29 924</b>	<b>29 918</b>

**7. INVESTMENT INCOME AND FINANCE COSTS**

<b>(EUR '000)</b>	<b>Year Ended 31 December 2015</b>	<b>Year Ended 31 December 2014</b>
Dividends received	704	1 330
Interest income	42	80
<b>Total investment income</b>	<b>746</b>	<b>1 410</b>
Interest expense	148	188
<b>Total finance costs</b>	<b>148</b>	<b>188</b>



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**8. INCOME TAX**

<b>(EUR '000)</b>	<b>Year Ended 31 December 2015</b>	<b>Year Ended 31 December 2014</b>
Current tax	14 260	8 110
Deferred tax	(2 153)	(3 900)
<b>Income tax for the year</b>	<b>12 107</b>	<b>4 210</b>

Domestic income tax is calculated at 22% of the taxable profit for 2015 (2014: 22%).

The total charge for the year can be reconciled to the accounting profit as follows:

	<b>Year Ended 31 December 2015</b>		<b>Year Ended 31 December 2014</b>	
	<b>(EUR '000)</b>	<b>%</b>	<b>(EUR '000)</b>	<b>%</b>
Profit before tax	83 951		50 426	
Tax at the domestic income tax rate of 22%	18 469	22.0	11 094	22.0
Permanent differences	92		(146)	
Tax relief	(6 458)		(6 458)	
Correction of prior periods' error and accruals	4		(280)	
<b>Income tax and effective tax rate</b>	<b>12 107</b>	<b>14.4</b>	<b>4 210</b>	<b>8.3</b>

For 2015, the Company applied income tax relief in the amount of EUR 6 458 thousand (2014: in the amount of EUR 6 458 thousand) granted as a part of the investment aid in the total amount of EUR 25 375 thousand for the implementation of an investment project related to the acquisition of a new recovery boiler and the related infrastructure, as described in Note 10. In the following three years, the Company will evenly apply the remaining tax relief up to the approved amount once the set conditions are met.

**9. INTANGIBLE ASSETS**

Analysis of intangible assets for the year ended 31 December 2015:

<b>(EUR '000)</b>	<b>Other Non-Current Intangible Assets</b>
<b>Cost</b>	
At 1 January 2015	13 639
Additions	277
Transfers and reclassifications	(29)
Disposals	(578)
<b>At 31 December 2015</b>	<b>13 309</b>
<b>Amortisation</b>	
At 1 January 2015	12 675
Charge for the year	638
Transfers and reclassifications	(13)
Disposals	(577)
<b>At 31 December 2015</b>	<b>12 723</b>
<b>Carrying amount</b>	
<b>At 1 January 2015</b>	<b>964</b>
<b>At 31 December 2015</b>	<b>586</b>

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Analysis of intangible assets for the year ended 31 December 2014:

<b>(EUR '000)</b>	<b>Other Non-Current Intangible Assets</b>
<b>Cost</b>	
At 1 January 2014	13 305
Additions	95
Transfers and reclassifications	254
Disposals	(15)
<b>At 31 December 2014</b>	<b>13 639</b>
<b>Amortisation</b>	
At 1 January 2014	11 773
Charge for the year	917
Disposals	(15)
<b>At 31 December 2014</b>	<b>12 675</b>
<b>Carrying amount</b>	
<b>At 1 January 2014</b>	<b>1 532</b>
<b>At 31 December 2014</b>	<b>964</b>

Other non-current intangible assets comprise software and non-current intangible assets in acquisition. Non-current intangible assets in acquisition and advance payments made for non-current intangible assets total EUR 164 thousand as at 31 December 2015 (31 December 2014: EUR 40 thousand).

The intangible assets have finite useful lives over which the assets are amortised. The amortisation period for software is four years.

## 10. PROPERTY, PLANT AND EQUIPMENT

An analysis of property, plant and equipment for the year ended 31 December 2015 is as follows:

<b>(EUR '000)</b>	<b>Land and Buildings</b>	<b>Plant and Equipment</b>	<b>Other Non-Current Tangible Assets</b>	<b>Total</b>
<b>Cost</b>				
At 1 January 2015	208 898	1 006 531	21 088	1 236 517
Additions	-	-	21 368	21 368
Disposals	(177)	(2 750)	(293)	(3 220)
Transfers and reclassifications	2 481	17 472	(19 924)	29
<b>At 31 December 2015</b>	<b>211 202</b>	<b>1 021 253</b>	<b>22 239</b>	<b>1 254 694</b>
<b>Accumulated depreciation and impairment</b>				
At 1 January 2015	91 898	673 317	10 351	775 566
Charge for the year and impairment	5 340	37 292	354	42 986
Transfers and reclassifications	-	13	-	13
Disposals	(176)	(2 663)	(283)	(3 122)
<b>At 31 December 2015</b>	<b>97 062</b>	<b>707 959</b>	<b>10 422</b>	<b>815 443</b>
<b>Carrying amount</b>				
<b>At 1 January 2015</b>	<b>117 000</b>	<b>333 214</b>	<b>10 737</b>	<b>460 951</b>
<b>At 31 December 2015</b>	<b>114 140</b>	<b>313 294</b>	<b>11 817</b>	<b>439 251</b>

Other non-current tangible assets include assets in acquisition and advance payments made for non-current tangible assets in the amount of EUR 10 022 thousand as at 31 December 2015. An addition to non-current assets resulted mainly from the reconstruction and upgrade of paper machines.

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An analysis of property, plant and equipment for the year ended 31 December 2014 is as follows:

<b>(EUR '000)</b>	<b>Land and Buildings</b>	<b>Plant and Equipment</b>	<b>Other Non-Current Tangible Assets</b>	<b>Total</b>
<b>Cost</b>				
At 1 January 2014	187 898	892 631	64 300	1 144 829
Additions	-	-	93 354	93 354
Disposals	(16)	(1 225)	(171)	(1 412)
Transfers and reclassifications	21 016	115 125	(136 395)	(254)
<b>At 31 December 2014</b>	<b>208 898</b>	<b>1 006 531</b>	<b>21 088</b>	<b>1 236 517</b>
<b>Accumulated depreciation and impairment</b>				
At 1 January 2014	87 192	634 109	10 092	731 393
Charge for the year and impairment	4 728	40 431	420	45 579
Reclassifications	(6)	-	6	-
Disposals	(16)	(1 223)	(167)	(1 406)
<b>At 31 December 2014</b>	<b>91 898</b>	<b>673 317</b>	<b>10 351</b>	<b>775 566</b>
<b>Carrying amount</b>				
<b>At 1 January 2014</b>	<b>100 706</b>	<b>258 522</b>	<b>54 208</b>	<b>413 436</b>
<b>At 31 December 2014</b>	<b>117 000</b>	<b>333 214</b>	<b>10 737</b>	<b>460 951</b>

Other non-current tangible assets include assets in acquisition and advance payments made for non-current tangible assets in the amount of EUR 9 380 thousand as at 31 December 2014. The additions to other non-current tangible assets mainly comprise a completed investment project related to the acquisition of a new recovery boiler and the related infrastructure. As at 31 December 2014, invested funds amounted to EUR 115 024 thousand.

Useful lives of the relevant assets used are described in Note 2 e).

Details of the type of insurance and insured amount of non-current intangible and tangible assets and inventories (EUR '000):

<b>Insured Object</b>	<b>Type of Insurance</b>	<b>Amount</b>	
		<b>2015</b>	<b>2014</b>
Passenger vehicles	Against theft, motor hull	-	2 251
Property, plant and equipment	Against natural disasters	1 381 936	1 289 516
Machines and equipment	machine break	1 061 200	982 910
Inventories	Against natural disasters	42 703	38 892

The Company's assets are not subject to any encumbrances restricting the Company's handling of non-current intangible and tangible assets.

The Company does not use any non-current intangible and tangible assets owned by other entities.

## **11. INVESTMENTS IN SUBSIDIARY AND ASSOCIATE UNDERTAKINGS**

<b>(EUR '000)</b>	<b>Shares &amp; Ownership Interests in Subsidiaries</b>	<b>Shares &amp; Ownership Interests in Associates</b>	<b>Total</b>
<b>Cost</b>			
At 1 January 2015	4 334	4 482	8 816
Additions	-	-	-
Disposals	-	-	-
<b>At 31 December 2015</b>	<b>4 334</b>	<b>4 482</b>	<b>8 816</b>
<b>Accumulated depreciation</b>			
At 1 January 2015	-	4 482	4 482
Disposals	-	-	-
<b>At 31 December 2015</b>	<b>-</b>	<b>4 482</b>	<b>4 482</b>
<b>Carrying amount</b>			
<b>At 1 January 2015</b>	<b>4 334</b>	<b>-</b>	<b>4 334</b>
<b>At 31 December 2015</b>	<b>4 334</b>	<b>-</b>	<b>4 334</b>

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The table below presents details of subsidiary and associate undertakings as at 31 December 2015 (EUR '000):

Name and Seat of the Company	Cost at Acquisition	Impairment Provision	Face Value per Share	Share in Equity	Equity*		Profit/(Loss)*	
	EUR '000	EUR '000	EUR	v %	2015	2014	2015	2014
<b>Subsidiaries</b>								
Obaly S O L O , s. r. o., Ružomberok	3 935	-	-	100	3 856	3 333	1 104	582
SLOVWOOD Ružomberok, a.s., Ružomberok	393	-	3 319.39	66	411	447	(36)	(87)
STRÁŽNA SLUŽBA VLA-STA, s. r. o., Ružomberok	6	-	-	100	138	129	131	120
<b>Total</b>	<b>4 334</b>	<b>-</b>						
<b>Associates</b>								
AG Banka, a.s., Banská Bystrica	4 482	4 482	33.19	27	n	n	n	n
<b>Total</b>	<b>4 482</b>	<b>4 482</b>						

The voting rights in the entities equal shares in the registered capital.

\*) Equity and profit/loss under Slovak Accounting Standards.

n – Information is not disclosed because the company is in liquidation.

## 12. INVENTORIES

(EUR '000)	31 December 2015	31 December 2014
Raw materials and spare parts	20 823	20 331
Work in progress and semi-finished goods	8 784	8 874
Finished goods	6 680	10 889
Merchandise	172	-
<b>Total</b>	<b>36 459</b>	<b>40 094</b>

As at 31 December 2015, the Company recorded provisions in the amount of EUR 13 696 thousand (2014: EUR 13 187 thousand) for obsolete and slow-moving inventory based on a detailed analysis of individual items of inventories. The analysis was prepared by the stocktaking committee at the year-end and was based on an assessment of the net realisable value of inventories.

The Company reassessed the recorded provisions for inventories and came to the conclusion that the amount of the provisions is sufficient.

The inventories in the table above are recognised net of the provision.

## 13. TRADE AND OTHER RECEIVABLES

(EUR '000)	31 December 2015	31 December 2014
Amounts receivable from the sale of goods and services	61 145	64 911
Other receivables, other tax receivables and advance payments made	5 702	10 805
<b>Total</b>	<b>66 847</b>	<b>75 716</b>

As at 31 December 2015, the Company recorded a provision for estimated irrecoverable amounts from the sale of goods and other receivables in the amount of EUR 117 thousand (2014: EUR 136 thousand). This provision was determined with reference to past default experience. The directors consider that the carrying amount of trade and other receivables approximates their fair value.

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The table below presents a breakdown of receivables from the sale of goods and services and other receivables by maturity (gross):

<b>(EUR '000)</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
Within maturity	66 512	75 265
Overdue	452	587
<b>Total</b>	<b>66 964</b>	<b>75 852</b>

Risk of non-collection is covered by the insurance program of the Mondi Group and EXIM Bank.

The Company recorded no receivables under lien.

#### **14. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise bank accounts and cash on hand, including the Company's cash and short-term bank deposits with original maturity not exceeding three months. The carrying amount of the assets approximates their fair value.

No encumbrance or burden is attached to cash and cash equivalents that would result in any restrictions of the Company's asset handling.

For the purpose of the cash flow statements, cash and cash equivalents also include overdraft facilities.

<b>(EUR '000)</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
Cash and cash equivalents	80 032	8 333
<b>Total</b>	<b>80 032</b>	<b>8 333</b>

As at 31 December 2015, the amount of EUR 78 613 thousand represents the cash pooling balance with Mondi Finance Ltd and EUR 792 thousand represents the cash pooling balance with SLOVWOOD Ružomberok, a. s. (as at 31 December 2014, the amount of EUR 7 417 thousand was transferred to a term deposit held with Mondi Finance Ltd.).

#### **15. REGISTERED CAPITAL**

The registered capital was issued in the form of bearer shares. As at 31 December 2015 and 2014, the total number of issued shares was 4 635 034, and the face value per share was EUR 33.193919. All of the Company's shares were repaid. None of the Company's shares are quoted on the stock exchange.

#### **16. CAPITAL AND OTHER FUNDS**

As at 31 December 2015, mainly funds from profit (legal reserve fund and statutory funds) in the amount of EUR 87 550 thousand were recognised under capital funds. Other funds include a fund comprising an actuarial loss on employment benefits upon employment termination in the amount of EUR 21 thousand, and an investments revaluation reserve in the amount of EUR (238) thousand.

#### **17. BANK LOANS AND BORROWINGS**

<b>(EUR '000)</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
Other borrowings	-	4
<b>Total</b>	<b>-</b>	<b>4</b>

The carrying amount of the Company's bank loans and borrowings is recognised in the following currencies:

<b>Currency</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
EUR	-	4
<b>Total</b>	<b>-</b>	<b>4</b>

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The loans and borrowings are repayable as follows:

<b>(EUR '000)</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
Within one year	-	4
		4
Less: amount due within 12 months (recognised as current liabilities)	-	-
<b>Amount due after 12 months</b>	<b>-</b>	<b>-</b>

In 2015, the Company did not draw any short- or long-term bank loans. As at 31 December 2015, the Company had not drawn any investment or operating loans.

## 18. DEFERRED TAX LIABILITY

Major deferred tax liabilities and assets recognised by the Company, and the movements thereon, during the current reporting period:

<b>(EUR '000)</b>	<b>Difference in NBV of Non-current Assets</b>	<b>Other Temporary Differences</b>	<b>Total</b>
As at 1 January 2015	46 976	(4 037)	42 939
Recognised through profit or loss	(1 777)	(376)	(2 153)
Recognised through equity	-	-	-
<b>As at 31 December 2015</b>	<b>45 199</b>	<b>(4 413)</b>	<b>40 786</b>

Certain deferred tax assets and liabilities have been offset in accordance with the Company's accounting policy.

<b>(EUR '000)</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
Deferred tax liabilities	45 199	46 976
Deferred tax assets	(4 413)	(4 037)
<b>Net deferred tax liability presented in the balance sheet</b>	<b>40 786</b>	<b>42 939</b>

Deferred income tax relates to items that are recorded as part of the equity rather than as an expense or to revenue that was recorded against the relevant equity items as at 31 December 2015.

## 19. PROVISIONS FOR LIABILITIES

<b>(EUR '000)</b>	<b>Provision for Restoration of a Landfill Non-Current</b>	<b>Current</b>
As at 1 January 2015	1 231	-
Additions	88	-
Use	(4)	-
<b>As at 31 December 2015</b>	<b>1 315</b>	<b>-</b>

Additions to provisions for the restoration of a landfill site related to the recognition of interest charges adjusting the amount of provision to the net present value as at 31 December 2015 in the amount EUR 88 thousand.

## 20. TRADE AND OTHER PAYABLES

<b>(EUR '000)</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
Trade payables	70 611	55 035
Trade payables of investment nature	5 398	17 851
Other payables – cash pooling	3 134	6 102
Other payables	8 273	6 969
<b>Total</b>	<b>87 416</b>	<b>85 957</b>

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Breakdown of trade payables by maturity:

(EUR '000)	Maturity				Total
	Within Maturity	Retainer	Up to 365 Days Overdue	Over 365 Days Overdue	
As at 31 December 2015					
Trade payables (including CAPEX)	69 070	886	5 778	275	76 009
As at 31 December 2014					
Trade payables (including CAPEX)	63 868	2 779	5 386	853	72 886

Other payables comprise the following items:

(EUR '000)	31 December 2015	31 December 2014
Payables to employees, from social security insurance and other taxes	6 264	5 543
Social fund	575	603
Estimated liabilities	1 334	753
Other	100	70
<b>Total</b>	<b>8 273</b>	<b>6 969</b>

The Company's recorded liabilities are not secured by any lien in favour of creditors.

In accordance with valid legislation, the Social Fund was recorded during the year at EUR 268 thousand. The Social Fund was used particularly for employee catering and workforce recuperation benefits in the amount of EUR 296 thousand.

## 21. FINANCIAL RISK MANAGEMENT

### Capital Risk Management

The Company manages its capital to ensure that it is able to continue as a going concern, with the aim of achieving the maximum return for the shareholders through an optimum debt and equity balance.

Gearing ratio at the year-end:

(EUR '000)	31 December 2015	31 December 2014
Debt (i)	-	4
Cash and cash equivalents	80 032	8 333
Net debt	(80 032)	(8 329)
Equity	489 148	457 308
<b>Net debt to equity ratio</b>	<b>(0.164)</b>	<b>(0.018)</b>

(i) Debt is defined as current and non-current interest bearing loans and borrowings.

The Treasury department monitors the structure of the Company's capital on a regular basis. Based on these reviews and approval by the General Assembly, the Company revises its overall capital structure by means of dividend pay-outs and the drawing of loans and/or amortisation of the existing debts.

### Categories of Financial Instruments

(EUR '000)	31 December 2015	31 December 2014
Loans and receivables (inclusive of cash and cash equivalents)	146 879	84 710
<b>Financial assets</b>	<b>146 879</b>	<b>84 710</b>
Trade payables and payables to related parties	87 416	85 957
Bank loans recognised at amortised costs	-	4
<b>Financial liabilities</b>	<b>87 416</b>	<b>85 961</b>

#### **a) Financial Risk Factors**

The Company's activities expose it to a variety of financial risks, which include the effects of changes in foreign currency exchange rates and loan interest rates. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Following the adoption of the euro in Slovakia, the exchange rate risk was eliminated to a large extent.

The use of financial derivatives is governed by the Company's policies and approved by the Company's management, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The Company is not involved in trading with financial instruments and it does not use derivative financial instruments for speculative purposes.

#### **Credit Risk**

Management of the Company has adopted a credit policy, under which credit risk exposures are monitored on an on-going basis. Credit evaluations are performed on all customers requiring credit over a certain limit. The risk of non-collection of the receivables is covered by the insurance program of the Mondi Group and Exim Bank. At the reporting date, there were no significant concentrations of credit risk in financial assets. Derivative counterparties and cash transactions are limited to high-credit quality financial institutions. The Company did not limit the amount of credit exposure to any one financial institution.

#### **Interest Rate Risk**

The Company's operating income and operating cash flows are relatively independent of changes in market interest rates.

##### *Interest Rate Sensitivity*

As the Company did not draw any long- or short-term bank loans in 2015, the Company has not been exposed to any interest rate risk. Therefore, no sensitivity analysis was performed. As at 31 December 2015, the Company has no open interest rate derivatives.

#### **Foreign Currency Risk**

The share of monetary assets and liabilities denominated in foreign currency to the total liabilities/assets has not been significant and represents a minor currency risk for the Company. Therefore, no sensitivity analysis was performed. The Company ensures that its net exposure is kept at an acceptable level by buying or selling foreign currencies at spot rates when it is necessary to address short-term fluctuations.

As at 31 December 2015, the Company had no open derivative transactions to hedge against currency risk. In 2015 and 2014, the Company did not account for any currency derivatives.

#### **Liquidity Risk**

Prudent liquidity risk management assumes the maintenance of a sufficient amount of cash with an adequate maturity and marketable securities, availability of financing through appropriate amount of credit lines, and ability to close open market positions. The Company maintains a sufficient amount of funds and marketable securities and has no open market positions.

The following tables summarise the residual maturity of the Company's non-derivative financial liabilities. The tables have been prepared based on undiscounted cash flows from financial liabilities assuming the earliest possible dates on which the Company can be required to settle the liabilities.



**Mondi SCP, a.s.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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<b>(EUR '000)</b>	<b>Weighted Average Effective Interest Rate</b>	<b>Up to 1 Month</b>	<b>1 – 3 Months</b>	<b>3 Months – 1 Year</b>	<b>1 – 5 Years</b>	<b>5 Years and More</b>	<b>Total</b>
<b>2015</b>							
Interest-free	-	39 522	26 429	21 440	25	-	87 416
Floating interest rate instruments	-	-	-	-	-	-	-
<b>Total</b>	-	<b>39 522</b>	<b>26 429</b>	<b>21 440</b>	<b>25</b>	-	<b>87 416</b>
<b>2014</b>							
Interest-free	-	56 052	2 638	27 267	-	-	85 957
Floating interest rate instruments	-	-	4	-	-	-	4
<b>Total</b>	-	<b>56 052</b>	<b>2 642</b>	<b>27 267</b>	-	-	<b>85 961</b>

The Company has access to credit lines provided by ECO Invest, a.s. (EUR 18 130 thousand) and Mondi Finance Plc. (EUR 18 870 thousand); as at the date of the statement of financial position, the total undrawn amount is EUR 37 000 thousand. The Company assumes that the operating cash flows and proceeds from financial assets due will be used to settle other liabilities.

**b) Fair Value Estimation**

The fair values of publicly-traded derivative instruments and financial instruments are based on quoted market prices as at the reporting date.

To determine the fair values of non-traded derivative instruments and other financial instruments, the Company uses techniques and market assumptions based on the conditions existing on the market as at the reporting date. Other techniques, mainly estimated discounted value of future cash flows, are used to determine the fair value for the remaining financial instruments.

Face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Company for similar financial instruments.

**22. RELATED PARTY TRANSACTIONS**

**a) Shareholders Structure**

The direct shareholders of the Company include Mondi SCP Holdings B. V. (formerly Neusiedler Holdings B.V.), based in Maastricht, the Netherlands, which owns a 51% share in their equity, and ECO-INVEST, a.s., based in Bratislava, Námestie SNP - Obchodná ulica 2 – 6, which owns a 49% share in their equity.

The details of the Company's related-party transactions are set out below.

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**b) Trading Transactions**

During the reporting period, the Company's entities entered into the following business transactions with related parties:

**Year Ended 31 December 2015 – in EUR '000**

<b>Company</b>	<b>Sales of Goods and Services</b>	<b>Purchases of Goods and Services</b>	<b>Receivables from Related Parties</b>	<b>Payables to Related Parties</b>
Mondi AG	317	1422	49	99
MUFP Sales GmbH-Headoffice	389 803	38 737	53 390	7 075
M Uncoated Fine & Kraft Paper	96	4 350	20	757
M Steti a.s.	6	-	6	-
Mondi Lohja Oy	152	-	69	78
Mondi Bags Steti a.s.	38	2	7	-
M Consumer Bags & Films GmbH	15	-	-	-
M Coating Steti a.s.	-	203	-	14
Mondi Neusiedler GmbH	20 701	310	1 156	105
Obaly S O L O , s. r. o.	2 297	6 088	101	651
VLA-STA s. r. o.	57	1 000	6	100
SLOVWOOD Ružomberok, a.s.	254	103 025	16	15 047
Mondi Packaging Swiecie Sp zoo	-	3 864	-	695
Mondi Finance plc	681	108	-	-
Mondi Syktyvkar OJSC	44	-	40	-
Mondifin (Group Office)	8	-	8	-
SHP Harmanec	11 080	-	631	-
ECO Invest	-	3 759	-	343
<b>Total</b>	<b>425 549</b>	<b>162 868</b>	<b>55 499</b>	<b>24 964</b>

**Year Ended 31 December 2014 – in EUR '000**

<b>Company</b>	<b>Sales of Goods and Services</b>	<b>Purchases of Goods and Services</b>	<b>Receivables from Related Parties</b>	<b>Payables to Related Parties</b>
Mondi AG	245	680	35	87
MUFP Sales GmbH-Headoffice	370 979	44 256	55 360	7 814
M Uncoated Fine & Kraft Paper	110	3 169	22	830
Mondi Swiecie S.A.	46	-	7	-
M Steti a.s.	44	-	-	-
Mondi Lohja Oy	105	-	29	-
Mondi Bags Steti a.s.	36	-	6	-
M Coating Steti a.s.	-	263	-	40
Mondi Neusiedler GmbH	13 546	257	1 155	88
Obaly S O L O , s. r. o.	3 205	5 846	81	643
VLA-STA s. r. o.	60	1 000	8	100
SLOVWOOD Ružomberok, a.s.	758	103 464	16	7 681
Mondi Packaging Swiecie Sp zoo	-	3 791	-	725
Mondi Finance plc	-	12	-	67
Mondi Syktyvkar OJSC	1 461	-	19	-
Mondi plc., Surrey	-	141	-	-
SHP Harmanec	8 883	-	667	-
ECO Invest	-	3 750	-	336
<b>Total</b>	<b>399 478</b>	<b>166 629</b>	<b>57 405</b>	<b>18 411</b>

Trading transactions represent sale of paper, pulp and paper products, sale of energy, and provision of services.

Transactions between related parties and the Company are made on an arm's length basis and at market prices. The Board of Directors makes decisions on related party transactions.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

**Mondi SCP, a.s.**  
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**c) Other Transactions**

Other transactions result from the Company's cash pooling system with related parties and the flow of dividends from subsidiaries and related parties.

**Year Ended 31 December 2015 – in EUR '000**

<b>Company</b>	<b>Income from Dividends and Interest</b>	<b>Interest Expense</b>	<b>Receivables from Related Parties from Cash Pooling and Term Deposits</b>	<b>Payables to Related Parties from Cash Pooling</b>
Obaly S O L O, s. r. o.	582	4	-	2 871
Strážna služba VLA-STA, s. r. o.	122	-	-	263
SLOVWOOD Ružomberok, a. s.	20	1	792	-
Mondi Finance Limited	21	-	78 613	-
<b>Total</b>	<b>745</b>	<b>5</b>	<b>79 405</b>	<b>3 134</b>

**Year Ended 31 December 2014 – in EUR '000**

<b>Company</b>	<b>Income from Dividends and Interest</b>	<b>Interest Expense</b>	<b>Receivables from Related Parties from Cash Pooling</b>	<b>Payables to Related Parties from Cash Pooling</b>
Obaly S O L O, s. r. o.,	1 067	-	-	2 046
Strážna služba VLA-STA, s. r. o.	119	-	-	241
SLOVWOOD Ružomberok, a.s.	172	-	-	3 815
Mondi Finance Limited	49	-	7 417	-
<b>Total</b>	<b>1 407</b>	<b>-</b>	<b>7 417</b>	<b>6 102</b>

**23. INCOME AND BENEFITS OF MEMBERS OF THE STATUTORY, SUPERVISORY, ADMINISTRATIVE, MANAGING AND OTHER BODIES OF THE COMPANY**

Salaries and remuneration of the Company's bodies:

<b>Body</b>	<b>Year Ended 31 December 2015</b>	<b>Year Ended 31 December 2014</b>
Top management	1 338	2 048
<b>Total</b>	<b>1 338</b>	<b>2 048</b>

**24. COMMITMENTS AND CONTINGENCIES**

**a) Litigation and Potential Losses**

The Company is involved in a number of active and passive legal cases and other disputes that arise as a result of its ordinary business activities. It is not expected that such activities should have, individually or in aggregate, a significant negative impact on the accompanying consolidated financial statements.

**b) Emission Rights**

In 2005, the EU-wide greenhouse gas emission rights trading scheme came into effect together with the Act on Emission Rights Trading passed by the Slovak Parliament in order to implement the related EU Directive in Slovakia. Under this legislation, the Company is required to deliver emission rights to the Slovak Environmental Office to offset actual greenhouse gas emissions.

The Company has opted to record emission rights received using the net liability method; it does not record any liability for actual emissions on the basis that the Company has received adequate emission rights to cover its actual emissions. The Company had an obligation to deliver emission rights to cover generated emissions. This obligation was satisfied by delivering emission rights by 30 April 2015 for the 2014 compliance period. The Company received emission rights for 2015 (compliance period) in January 2015.

**c) Bank Guarantees**

UniCredit Bank a.s. issued bank guarantees to Slovenská elektrizačná prenosová sústava, a.s. (SEPS, a.s.) in the amount of EUR 79 195 to secure liabilities resulting from the agreement made between Mondi SCP, a.s. and SEPS, a.s. In the event of default, the Company is obliged to pay VÚB a.s.

Deutsche Bank issued a bank guarantee to Slovenský plynárenský priemysel, a.s. of up to EUR 2 500 000 to secure liabilities resulting from the agreement made between Mondi SCP, a.s. and Slovenský plynárenský priemysel, a.s. In the event of default, the Company is obliged to pay Deutsche Bank.

Deutsche Bank issued a bank guarantee to ČEZ Slovensko, s.r.o. of up to EUR 5 600 000 to secure liabilities resulting from the agreement made between Mondi SCP, a.s. and ČEZ Slovensko, s.r.o. The Company is obliged to pay Deutsche Bank in the event of a default.

**d) Capital Expenditures**

As at 31 December 2015, the Company did not conclude significant investment contracts.

**25. POST BALANCE SHEET EVENTS**

After 31 December 2015 and up to the authorisation date of the financial statements, the below stated significant events occurred. These events have no impact on the Company's assets and liabilities presented herein.

In February 2016, the Board of Directors of the Mondi Group approved a project called ECO+ in the amount of EUR 310 million, which represents a new paper machine for the production of box paper with production capacity of 300 thousand tons per year and a pulp mill reconstruction to increase the capacity of pulp production in connection with a new paper machine. Completion of this project is planned for 2019.

In February 2016, Mondi SCP acquired a 94.9% share in the fellow subsidiary Mondi Neusiedler GmbH seated in Hausmening, Austria, and a 94.9 % share in the fellow subsidiary Ybbstaler Zellstoff GmbH seated in Kematen, Austria.

**Prepared on:**

7 March 2016


*Signature of the Person  
Responsible for  
Bookkeeping:*

*Signature of the Person  
Responsible for the  
Preparation of the  
Financial Statements:*

*Signature of a Member of  
the Statutory Body of the  
Reporting Enterprise or a  
Natural Person acting as  
a Reporting Enterprise:*


**Approved on:**

8 March 2016

  
MICHAL HATALA

  
Philipp Suppan

  
BERNHARD PESCHEK

  
MILOSLAV ČURILLA