Mondi SCP, a.s.

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

FOR THE YEAR ENDED

31 DECEMBER 2017

MONDI SCP, A.S.
INDEPENDENT AUDITOR' S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AS ADOPTED BY THE EU
FOR THE YEAR ENDED 31 DECEMBER 2017

CONTENT

Independent Auditor's Report

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

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Mondi SCP, a.s. and its subsidiaries (together - the "Group") as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants issued by the International Federation of Accountants ("Code of Ethics") and other requirements of legislation that are relevant to our audit of the consolidated financial statements in the Slovak Republic. We have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Reporting on other information in the consolidated annual report

Management is responsible for the consolidated annual report prepared in accordance with the Slovak Act on Accounting No. 431/2002, as amended (the "Accounting Act"). The consolidated annual report comprises (a) the consolidated financial statements and (b) other information.

Our opinion on the consolidated financial statements does not cover the other information.

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The company's ID (IČO) No. 35739347.
Tax Identification No. of PricewaterhouseCoopers Slovensko, s.r.o. (DIČ) 2020270021.
VAT Reg. No. of PricewaterhouseCoopers Slovensko, s.r.o. (IČ DPH) SK2020270021.
Spoločnosť je zapísaná v Obchodnom registri Okresného súdu Bratislava 1, pod vložkou č. 16611/B, oddiel: Sro.
The company is registered in the Commercial Register of Bratislava 1 District Court, ref. No. 16611/B, Section: Sro.

In connection with our audit of the consolidated financial statements, our responsibility is to read the consolidated annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the consolidated annual report, we considered whether it includes the disclosures required by the Accounting Act.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the consolidated annual report for the year ended 31 December 2017 is consistent with the consolidated financial statements; and
- the consolidated annual report has been prepared in accordance with the Accounting Act.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated annual report. We have nothing to report in this respect.

Management's responsibilities for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Slovenská komora audítorov
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SKAU licence No. 161

Eva Hupková, FCCA
SKAU licence No. 672

Bratislava, 18 April 2018

Our report has been prepared in Slovak and in English. In all matters of interpretation of information, views or opinions, the Slovak language version of our report takes precedence over the English language version.

Mondi SCP, a. s.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2017

(EUR'000)	Note	Year Ended 31 December 2017	Year Ended 31 December 2016 (Restated)
Continuing operations			
Revenues	5	807,350	763,542
Raw materials and consumables	7	(483,912)	(428,957)
Transportation and selling costs	6	(68,230)	(66,859)
Changes in inventories of finished goods and work in progress		5,919	1,624
Other services	8	(40,510)	(38,233)
Personnel expenses	9	(82,653)	(71,186)
Depreciation, amortisation expenses and impairment	13,14	(51,837)	(51,409)
Other operating expenses and income	10	4,499	(1,201)
Operating profit		**90,626**	**107,321**
Finance income	11	51	2
Finance costs	11	(2,290)	(2,173)
Share of profit of joint ventures accounted for using the equity method	16	(27)	-
Profit before income tax		**88,360**	**105,150**
Income tax expense	12	(18,772)	(15,201)
Net profit for the reporting period		**69,588**	**89,949**
Other comprehensive income			
Items reclassified to profit or loss:			
Profit from revaluation of financial assets available for sale	17	53	73
Net change in hedging derivatives, net of tax		(89)	-
Total items reclassified to profit or loss		(36)	73
Items not reclassified to profit or loss:			
Gains / (losses) from revaluation of defined benefit plans, net of tax	23	7,090	(10,681)
Total items not reclassified to profit or loss:		7,090	(10,681)
Other comprehensive income/(expenses), net of tax		**7,054**	**(10,608)**
Comprehensive income for the year		**76,642**	**79,341**
Net profit for the reporting period attributable to:		**69,588**	**89,949**
- Non-controlling interests		44	44
- Holders of the parent company's shares		69,544	89,905
Comprehensive income for the year attributable to:		**76,642**	**79,341**
- Non-controlling interests		44	44
- Holders of the parent company's shares		76,598	79,297

Mondi SCP, a. s.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2017

(EUR'000)	Note	31 December 2017	31 December 2016 (Restated)	1 January 2016 (Restated)
Assets				
Non-current assets				
Intangible assets	13	1,095	1,122	692
Property, plant and equipment	14	487,795	498,944	439,330
Investments in Joint Ventures accounted for using the equity method	16	813	-	-
Financial assets available for sale	17	3,937	3,865	-
Deferred tax assets	25	387	1,979	154
Trade receivables and other receivables		410	-	-
		494,437	**505,910**	**440,176**
Current assets				
Inventories	18	79,014	74,772	38,479
Trade and other receivables	19	118,636	118,127	67,689
Current tax assets		75	55	-
Cash and cash equivalents	20	1,157	4,845	628
Assets from Cash pooling within Mondi Group	30	144,746	101,184	78,613
Derivative financial instruments		-	11	-
		343,206	**298,994**	**185,409**
TOTAL ASSETS		**837,643**	**804,904**	**625,585**
Equity and liabilities				
Capital and reserves				
Share capital	21	153,855	153,855	153,855
Other reserves	22	77,732	70,678	89,432
Retained earnings		305,078	275,534	245,629
Equity attributable to the parent company's owners		536,665	500,067	488,916
Non-controlling interests		227	183	139
TOTAL EQUITY		**536,892**	**500,250**	**489,055**
Non-current liabilities				
Employee benefit plan obligations	23	39,539	48,557	2,561
Deferred tax liabilities	25	36,716	37,438	40,786
Provisions	26	1,903	1,414	1,315
Other non-current liabilities	27	36,253	42,253	1,201
		114,411	**129,662**	**45,863**
Current liabilities				
Interest-bearing borrowings	24	42,566	35,294	-
Trade and other payables	27	133,445	133,859	85,251
Current tax liabilities		8,124	4,667	5,416
Provisions	26	2,054	1,172	-
Derivative financial instruments		151	-	-
		186,340	**174,992**	**90,667**
TOTAL LIABILITIES		**300,751**	**304,654**	**136,530**
TOTAL EQUITY AND LIABILITIES		**837,643**	**804,904**	**625,585**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017

(EUR'000)	*Share capital*	*Other reserves*	*Retained earnings*	*Total equity attributable to the parent company's owners*	*Non-controlling interest*	*Total*
Balance at 1 January 2016	**153,855**	**89,432**	**245,269**	**488,916**	**139**	**489,055**
Profit for the current year	-	-	89,905	89,905	44	89,949
Other comprehensive income						
Actuarial loss on provisions from employee benefits program	-	*(10,681)*	-	*(10,681)*	-	*(10,681)*
Fund from the revaluation of financial assets available for sale	-	*73*	-	*73*	-	*73*
Total comprehensive income after tax for the year	-	**(10,608)**	**89,905**	**79,297**	**44**	**79,341**
Dividends paid	-	-	(60,000)	(60,000)	-	(60,000)
Business combination under common control - difference on the acquisition of Mondi Neusiedler and Ybbstaller Zellstoff	-	(8,146)	-	(8,146)	-	(8,146)
Balance at 31 December 2016	**153,855**	**70,678**	**275,534**	**500,067**	**183**	**500,250**
Profit for the current year	-	-	69,544	69,544	44	69,588
Other comprehensive income						
Actuarial gain on provisions from employee benefits program	-	*7,090*	-	*7,090*	-	*7,090*
Fund from the revaluation of financial assets available for sale	-	*53*	-	*53*	-	*53*
Revaluation of hedging derivatives		*(89)*	-	*(89)*	-	*(89)*
Total comprehensive income after tax for the year	-	**7,054**	**69,544**	**76,598**	**44**	**77,417**
Dividends paid	-	-	(40,000)	(40,000)	-	(40,000)
Balance at 31 December 2017	**153,855**	**77,732**	**305,078**	**536,665**	**227**	**536,892**

Mondi SCP, a. s.
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

(EUR'000)	Note	Year Ended 31 December 2017	Year Ended 31 December 2016
Operating activities			
Operating profit		90,626	107,321
Non-cash transactions			
- Depreciation and impairment of non-current assets	13,14	51,837	51,409
- Loss/(profit) from the sale of non-current assets	10	(1,090)	211
- Financial liability revaluation	10	(4,491)	-
- Other non-cash transactions		2,399	(415)
Operating cash flows before movements in working capital		139,281	158,526
Effect of movements in working capital			
- Decrease/(increase) of inventories	18	(5,041)	6,071
- Decrease/(increase) of receivables	19	(981)	3,887
- Decrease/(increase) of payables	27	(6,286)	5,947
Cash flows from operating activities before taxation and interest		126,973	174,431
Interest paid		(1,054)	(1,528)
Income tax expense paid		(16,775)	(19,077)
Cash flows from operating activities, net		**109,144**	**153,826**
Investing activities			
Payments for the purchase of property, plant and equipment and intangible assets	13,14	(36,749)	(20,315)
Proceeds from sales of tangible fixed assets		706	105
Payments for acquisition of financial investments		(576)	(24,748)
Interest received		64	2
Dividends received from joint ventures		71	-
Increase in Assets from cash pooling within Mondi Group	30	(43,562)	(22,571)
Cash flows from investing activities, net		**(80,046)**	**(67,527)**
Financial activities			
Loan repayments	24	(555)	(22,050)
Proceeds from loans	24	7,827	-
Share-based payments		(58)	(32)
Dividends paid	22	(40,000)	(60,000)
Cash flows from financial activities, net		**(32,786)**	**(82,082)**
Net increase/(decrease) in cash and cash equivalents		**(3,688)**	**4,217**
Cash and cash equivalents at the beginning of the year	20	4,845	628
Foreign exchange gains/{losses) from cash and cash equivalents		-	-
Cash and cash equivalents at the end of the year	**20**	**1,157**	**4,845**

1. GENERAL INFORMATION

a) Essential Information on the Company

Business name and seat	Mondi SCP, a. s. Tatranská cesta 3 034 17 Ružomberok
Date of establishment	7 September 1995
Date of incorporation (according to the Commercial Register)	1 October 1995
Business activity of the parent company and its consolidated subsidiaries and associates (hereinafter only the "Group")	- Paper and cardboard production - Production of pulp - Production of paper and cardboard products; - Saw production, wood waterproofing; - Production of wood wrappings; - Production of corrugated paper, cardboard and cardboard wrapping materials; - Manufacture of printing templates; - Other printing industry services, graphic designs; - Locksmithing, metalworking; - Wiring; - Operating of railway and transport by rail, and related services performed by a rail transport operator; - Handling waste in the scope of waste treatment; - Designs of electric appliances; - Wholesale with timber; - Mediation of wood trade; - Waste transport and disposal and - Other.

b) Employees

	Year Ended 31 December 2017	*Year Ended 31 December 2016*
Average number of employees	**1,791**	**1,745**
of which: managers	*30*	*34*

c) Approval of the 2016 Consolidated Financial Statements

The 2016 consolidated financial statements of Mondi SCP, a.s. were approved at the General Shareholders' Meeting held on 28 April 2017 and filed subsequently with the Court Register.

Based on the approval of the separate financial statements of Mondi SCP, a.s., by the General Shareholders'Meeting held on 28 Apríl 2017, the Company paid the shareholders dividends for 2016 in the total amount of EUR 40,000 thousand. Dividends were paid out on 26 May 2017.

The Board of Directors may propose to the Company's shareholders the amendment of the financial statements even after their approval by the General Meeting of shareholders. However, according to §16, sections 9 to 11 of the Slovak Act on Accounting No. 431/2002 Coll., an entity's accounting records cannot be reopened after the financial statements have been prepared and approved. If, after the financial statements have been approved, management identifies that the comparative information would not be consistent, the Slovak Act on Accounting No. 431/2002 Coll. allows entities to restate comparative information in the accounting period in which the relevant facts are identified.

d) Members of the Company's Bodies

Members of the Company's Bodies during financial year ending 31 December 2017:

Body	*Function*	*Name*
Boards of Directors	Chairman	Miloslav Čurilla
	Deputy Chairman	Peter Orisich
	Member	Bernhard Peschek
	Member	Miroslav Vajs
	Member	Franz Hiesinger until 24 May 2017
	Member	Walter Seyser from 25 May 2017 until 31 Oct 2017
	Member	Gabriele Schallegger from 1 November 2017
Supervisory Board	Chairman	Peter Josef Oswald
	Deputy Chairman	Milan Fiľo
	Member	Ján Krasuľa
Executive Management	President	Bernhard Peschek

Members of the Company's Bodies during financial year ending 31 December 2016:

Body	*Function*	*Name*
Boards of Directors	Chairman	Miloslav Čurilla
	Deputy Chairman	Peter Orisich
	Member	Bernhard Peschek
	Member	Miroslav Vajs
	Member	Franz Hiesinger
Supervisory Board	Chairman	Peter Josef Oswald
	Deputy Chairman	Milan Fiľo
	Member	Ján Krasuľa
Executive Management	President	Bernhard Peschek

e) Structure of shareholders and their share in the Share Capital

Shareholders	*Share in Share Capital EUR'000*	*in %*	*Voting Rights in %*
ECO-INVESTMENT, a.s., Prague	75,389	49	49
Mondi SCP Holdings, B.V., Maastricht	78,466	51	51

During years ending 31 December 2017 and 31 December 2016 there was no change in the structure of sharehoders and their share in the share capital.

f) Consolidated Financial Statements for Mondi Groups

Mondi SCP, a.s.Group consists of the subsidiaries and joint ventures presented in Notes 15 and 16. Mondi SCP, a.s. prepares both separate financial statements and consolidated financial statements for Mondi SCP, a.s., 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.

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.

The Mondi Group has two separate legal parent entities, Mondi Limited and Mondi plc, which operate under a dual listed company (DLC) structure. The substance of the DLC structure is such that Mondi Limited and its subsidiaries, and Mondi plc and its subsidiaries (together – "Mondi Group"), operate together as a single economic entity through a sharing agreement, with neither parent entity assuming a dominant role. Accordingly, Mondi Limited and Mondi plc are reported on a combined and consolidated basis as a single reporting entity.

The consolidated financial statements for the biggest and the smallest group of companies are prepared by Mondi, plc., with its registered office Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG, Great Britain.

The consolidated financial statements are available at the seat of this company.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Following amended standards became effective for the Group from 1 January 2017, however they did not have a significant impact on Group:

- Disclosure initiative – amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017)
- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (issued on 19 January and effective for annual periods beginning on or after 1 January 2017)
- Amendments to IFRS 12 included in annual Improvements to IFRS Standards 2014-2016 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017)

NEW ACCOUNTING POLICIES

Certain new standards, interpretations and amendments have been issued that are mandatory for annual periods beginning on or after 1 January 2018. The Group has decided to early adopt new IFRS 16 standard from 1 January 2018.

IFRS 9, Financial Instruments: Classification and Measurement (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018).

Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVTPL).

- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVTPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

- Hedge accounting requirements were amended to align accounting more closely with internal risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

Based on the analysis of the Group's financial assets and financial liabilities as at 31 December 2017 and on the basis of the facts and circumstances, magnitude, volumes, methodology that exist at that date, the management of the Group is expecting an impact as of 1 January 2018 in the areas of impairment provisions against trade and other receivables and cash in banks. The expected impact is not material.

No significant changes are expected for financial liabilities, other than changes in the fair value of financial liabilities designated at FVTPL that are attributable to changes in the instrument's credit risk, which will be presented in other comprehensive income.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014, amended on 12 April 2016 and effective for the periods beginning on or after 1 January 2018).

The new standard introduces the core principle that revenue must be recognised when the control over goods or services is transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate performance obligations.

When the consideration is variable for any reason, the consideration is recognised only to the extent that it highly probable that there is no risk of significant reversal. Costs incurred to obtain and fulfill contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed by the Group.

In accordance with the transition provisions in IFRS 15 the Group has elected simplified modified retrospective transition method with the effect of transition to be recognised as at 1 January 2018 in the consolidated financial statements for the year-ending 31 December 2018 which will be the first year when the Group will apply IFRS 15.

The Group plans to apply the practical expedient available for simplified modified retrospective transition method. The Group applies IFRS 15 retrospectively only to contracts that are not completed at the date of initial application (1 January 2018).

The adoption of IFRS 15 will result in changes in accounting policies and adjustments to be recognised in the consolidated financial statements. Based on the analysis of the Group's revenue streams for the year ended 31 December 2017, individual contracts' terms and on the basis of the facts and circumstances that exist at that date, in view of simplified modified retrospective transition method application, the management of the Group is expecting a non-significant impact on its consolidated financial statements from the adoption of the new standard on 1 January 2018.

IFRS 16, Leases (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019).

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the statement of profit or loss and other comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group's assessment of the impact of adopting this Standard is in the process of being finalised, but the estimated range of potential impact on the Group's key metrics as at 31 December 2017 is as follows:

• Total assets:	increase	0.4 – 1.0%
• Total liabilities:	increase	0.2 – 1.0%
• Net debt:	increase	2.0 – 2.5%
• Underlying EBITDA:	increase	0.4 – 1.0%
• Underlying operating profit:	decrease	marginal
• Operating profit:	decrease	marginal
• Tax charge:	decrease	marginal
• Profit for the year:	decrease	marginal
• Return on capital employed:	decrease	5 – 10 points

The Group decided to early implement this Standard as of 1 January 2018 using the full retrospective method.

IFRIC 23 "Uncertainty over Income Tax Treatments"* (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).

IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments.
The following standards, interpretations and amendments are not expected to have any material impact on the consolidated financial statements:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28* (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018)
- Amendments to IFRS 2, Share-based Payment* (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).
- Annual Improvements to IFRSs 2014-2016 Cycle* (issued on 8 December 2016 and effective for annual periods beginning on after 1 January 2018 for amendments to IFRS 1 and IAS 28).
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration* (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Transfers of Investment Property - Amendments to IAS 40* (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

- IFRS 17, Insurance Contracts* (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).
- Prepayment Features with Negative Compensation – Amendments to IFRS 9* (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28* (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015-2017 cycle – Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23* (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).
- Addition, reduction or finishing of plan – amendments to IAS 19* (issued on 7 February and effective for annual periods beginning on or after 1 January 2019)
- Amendments to References to the Conceptual Framework in IFRS Standards*

* These new standards, amendments and interpretations have not been endorsed by the European union yet.

3. SIGNIFICANT ACCOUNTING PRINCIPLES

a) Statement of Compliance

The financial statements represent the annual consolidated financial statements of Mondi SCP a.s., which have been prepared for the reporting period from 1 January 2017 to 31 December 2017 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 above.

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.

b) Basis of Preparation of the Consolidated Financial Statements

The consolidated financial statements are prepared under the historical cost convention, except for certain financial instruments that are remeasured to fair value. The principal accounting policies adopted are set out below. The reporting currency used in these financial statements is the euro (EUR) rounded to the nearest thousand (EUR '000) 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 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. 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 4.

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.

c) Unlimited Liability

The Group is not an unlimited liability partner in another company.

d) Accounting policies

(i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and reporting entities (including special-purpose entities) controlled by the Company (hereinafter the "subsidiaries"). The right to control arises if the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that the control commences until the date when the control ceases.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of fair values, at the date of exchange, of the respective assets, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the subsidiary. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

Goodwill arising on consolidation is recognised as an asset and is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the statement of comprehensive income.

Goodwill is initially recognised as an asset and is measured subsequently at cost less any accumulated impairment loss. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the business combination. The impairment of goodwill is tested annually or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of the goodwill and then to other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On the disposal of a subsidiary, the attributable amount of goodwill is included in the profit or loss on disposal.

All intra-group transactions, balances, unrealised profits or losses from transactions have been eliminated on consolidation.

Non-controlling interests in the equity of the consolidated subsidiaries are recognised separately from the Group's shares in equity. Non-controlling interests comprise the amount of such interests at the date of origin of the business combination and of the minority shareholders' share in changes in equity as of the combination date. A loss attributable to a non-controlling interest that exceeds the value of the minority interest in the subsidiary's equity is reversed against the Group's interest, except for the amount that represents the binding obligation of minority shareholders and can represent an additional investment to cover the losses. Non-controlling interests are recognised as a separate item in equity.

<u>Acquisition of subsidiaries under common control</u>
The acquisition of subsidiaries (being businesees in the meaning of IFRS 3) under common control is accounted for using predecessor accounting method. The predecessor accounting method is used prospectively from the acquisition date and the results of the acquiree are consolidated only from the date of the acquisition. Assets acquired and liabilities assumed are recognised using the carrying values from the common controlling party's consolidated financial statements. Any difference between the purchase consideration and the net assets of the acquiree is recognized in equity in "Other reserves".

A list of consolidated subsidiaries in the Group can be found in Note 15.

(ii) Joint ventures

Joint ventures are undertakings in which the group has joint control. Joint control means the power to take part in decisions on the financial and operational objectives of the Joint venture and the right to exercise joint control over such intentions. Investments in joint ventures are accounted for using the equity method from the date of the joint control until the date of its termination. Under the equity method, investments in joint ventures are recognized in the consolidated statement on financial position at acquisition cost adjusted for the Group's interest in changes in the joint venture's equity after the acquisition date, minus any write-off of individual investments. The losses of the joint venture that exceed the Group's share of the joint venture are not recognized.

Any excess of the cost of acquisition over the Group's share of the net fair value of identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the statement of comprehensive income.

Where a Group entity transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

The Group's interest in the net assets of a joint venture is recognised in "Investments in Joint Ventures" in the accompanying consolidated statement of financial position, and the Group's share of the net profit of the associate is disclosed in "Share of Profit of Joint Ventures" in the accompanying statement of comprehensive income.

(iii) Profit/loss on disposal of subsidiaries, associates and joint venture

Gain or loss on sale of shares in subsidiaries is determined as the difference between subsidiary's net asets value adjusted for unwritten-off portion of goodwill and the sale price.
Profit or loss on sale of interests in joint ventures is the difference between carrying amount and their sale price.

e) Foreign Currency

(i) Functional and presentation currency of the financial statements

Items included in the Group's financial statements are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The consolidated financial statements are presented in EUR, which is the functional currency and also the presentation currency of the Group's financial statements.

(ii) Transactions in Foreign Currencies

Transactions in foreign currencies are translated into euros using the rates on the exchange rate list of the European Central Bank (ECB) that are valid on 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 the statement of comprehensive income for the period. Non-monetary items denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of transaction. Non-monetary items carried at fair value that are denominated in foreign currencies are translated to the reporting currency 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 translation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income.

f) Financial Instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party of the contractual provisions of the financial instrument. The Group classifies its financial instruments into the following categories:

- *Loans and receivables*
- *Financial assets available for sale*
- *Financial assets and liabilities measured at fair value through profit or loss*
- *Other financial liabilities*

(i) Financial assets

Initial recognition and measurement
The Group determines the classification of a financial asset at its initial recognition. Upon initial recognition, financial assets are measured at fair value, which is increased by costs directly attributable to the acquisition of a financial asset, with the exception of financial assets at fair value through profit or loss.

Group's financial assets include cash and cash equivalents, short-term deposits, securities, trade and other receivables, financial assets available for sale and derivative financial instruments.

Subsequent measurement
Subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables
After initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method less impairment losses. Impairment losses are recognized in the consolidated profit and loss.

Financial assets available for sale
Financial assets available for sale include debt securities. Debt securities classified in this category are those that the Group intends to hold indefinitely and which may be sold for liquidity needs or in response to changes in the market.

Derecognition of financial assets
A financial asset is derecognized when:

- The right to receive cash flows from an asset has expired
- The Group has transferred its right to cash flows from an asset or has undertaken to pay the received cash flows in full without significant delay to an independent third party

Impairment of financial assets
The Group examines the impairment of financial assets or groups of financial assets at each balance sheet date.

(ii) Financial liabilities

Initial recognition and measurement
The Group determines the classification of the financial liability at its initial recognition. All financial liabilities are initially recognized at fair value, which is increased by directly attributable transaction costs in the case of loans and borrowings.

The Group's financial liabilities include trade and other payables, overdraft loans, loans and borrowings, and derivative financial instruments.

Subsequent measurement
Subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities measured at fair value through profit or loss

After initial recognition, they are measured at fair value through profit or loss.

Other financial liabilities (loans and advances)
After initial recognition, they are measured at amortized cost using the effective interest rate method.

Derecognition of financial liability
A financial liability is derecognised if the obligation is met or canceled or has expired.

g) Transaction Costs

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statement of comprehensive statement.

h) Property, Plant and Equipment

(i) Own Assets

Property, plant and equipment (hereinafter "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 taking into account its economic useful lifes.

(ii) Leased assets

Leases of non-current tangible assets under the terms of which the Group assumes substantially all of the risks and rewards associated with the ownership of such assets are classified as finance leases. Plant and equipment acquired by a 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 (w).

(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 Group exceeding its original performance and 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) Depreciation

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

Depreciation is charged evenly on a straight-line basis.

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

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

i) Intangible Assets

The Group owns intangible assets with both definite and indefinite useful lives.

Intangible assets acquired separately are stated at cost less accumulated amortisation and impairment provisions. Intangible assets are amortised over their useful lives, i.e. 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.

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually or more frequently if circumstances arise that indicate a potential impairment.

Goodwill is initially recognized as the excess of the consideration paid over the amount of the net identifiable assets acquired. If this consideration is less than the fair value of the net assets of the acquiree, the difference is recognized in the consolidated statement of comprehensive income.

After initial recognition, goodwill is measured at cost less accumulated impairment losses as described in point n) of this paragraph.

For the purposes of the impairment test, goodwill is acquired in a business combination from the acquisition date allocated to each cash-generating unit.

j) Financial assets available for sale

Financial assets available for sale comprise non-derivative financial assets that are classified In this category by the Group's management, or are not classified in any other category. If management has no intention to sell the assets within 12 months of the balance sheet date, they are recognised as noncurrent assets.

Financial assets available for sale are recognised at fair value.

k) Trade and Other Receivables

Trade and other receivables are measured at the expected realisable value, including provisions for bad and doubtful receivables. Estimated irrecoverable amounts are based on the ageing of the receivable balances and historical experience.
The recoverable amount of Group 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.

l) Inventories

Inventories are stated at the lower of cost or net realisable value. Net realisable value represents the estimated selling price less the estimated costs of completion and costs of sale.

Raw material is measured at the weighted average cost, which includes the cost of acquisition of the materials 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.

m) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in 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 Group's cash management represent part of cash and cash equivalents for the purposes of the statement of cash flows.

n) Impairment of Non-financial Assets

At each reporting date, the Group assesses the carrying amounts of its non-financial 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. 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.

The recoverable amount is the higher of fair value less the costs to sell and the value in use. In assessing the 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 (or 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, except for the goodwill, 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.

o) Dividends

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

p) Interest-Bearing loans and Borrowings

Interest-bearing loans and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

q) Employee Benefit Plans obligation

(i) Costs of Pension Schemes

Some Group companies make contributions to a number of pension funds. Financing is usually made via contributions to insurance or management companies. The contributions are set based on actuarial calculations. The Group makes contributions to defined pension benefit funds and to defined contribution funds. As regards the defined benefit pension funds, the defined benefit amount an employee receives upon retirement usually depends on one or several factors, i.e. age, number of years worked and final salary. The defined contribution fund is a pension fund to which the Group makes fixed contributions. The Group has no statutory or other obligation to make additional contributions if the amount of the fund's assets is insufficient to pay all of the benefits to employees, to which they are entitled for the current and past periods.

The liability recognised in the balance sheet in relation to the defined benefit pension plan represents the present value of the defined benefit obligation as at the balance sheet date less the fair value of plan assets, net of unrecognized gains or losses from adjustments of actuarial estimates and unrecognized costs of the past service. The liability is calculated on an annual basis by third party actuaries using a Projected Unit Credit Method. The liability's present value is determined by discounting future estimated cash benefits using interest rates of high-quality corporate bonds denominated in a currency in which the benefits will be paid and whose maturity approximates maturity of the relevant pension liability. Plans' assets are measured using market values at the end of the reporting period.

Any increase in the present value of plan liabilities expected to arise from employee service during the year is charged to operating profit as service costs. Past service costs resulting from plan amendments or curtailments and gains or losses on settlements are charged to operating profit. A net interest expense or net interest income is calculated by applying the discount rate to the net defined benefit liability or asset and recognised in the consolidated statement of comprehensive income within net finance costs.

Actuarial remeasurements arising from change in assumptions and experience adjustments are recognised in other comprehensive income and loss in the period in which they are earned or incurred.

(ii) Other Post-Employment Benefits

Some Group companies provide their employees with healthcare after retirement. An entitlement to such a benefit depends on certain conditions being met, i.e. an employee remaining in employment until they reach their retirement age and working a minimum number of years for the relevant company. Estimated expenditures are accrued over the employment period using the same accounting policy as for defined benefit pension plans.

Any increase in the present value of plan liabilities expected to arise from employee service during the year is charged to operating profit as service costs. Past service costs resulting from plan amendments or curtailments and gains or losses on settlements are charged to operating profit. A net interest expense or net interest income is calculated by applying the discount rate to the net defined benefit liability or asset and recognised in the consolidated statement of comprehensive income within net finance costs.

Actuarial remeasurements arising from change in assumptions and experience adjustments are recognised in other comprehensive income and loss in the period in which they are earned or incurred.

Such liabilities are annually calculated by third party qualified actuaries.

(iii) Retirement Payment

The Group operates a long-term employee benefit plan consisting of a lump-sum retirement payment for which no specified funds were allocated. Under IAS 19 "Employee Benefits", the expenses for employee benefits were determined using "Projected Unit Credit Method". The present value of the defined benefit obligation is determined (a) by discounting the estimated future cash outflows using interest rates of high quality corporate bonds, which have terms to maturity approximating the terms of the related liability and (b) then attributing the calculated present value to the periods of service based on the plan's benefit formula.

Actuarial remeasurements on post-employment benefits arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise, and are immediately reclassified to retained earnings in the statement of changes in equity.

(iv) Other long term employee benefits

The Group has an obligation to pay work anniversary long service bonuses. These obligations are recognised as liabilities estimated annually by independent actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined (a) by discounting the

estimated future cash outflows using interest rates of high quality corporate bonds, which have terms to maturity approximating the terms of the related liability and (b) then attributing the calculated present value to the periods of service based on the plan's benefit formula.
Actuarial remeasurements of the obligation to pay work anniversary long service bonuses are recognised in profit or loss for the year as employee benefits expense when incurred. Past service costs, if any, are expensed when incurred.

As explained in IAS 19, *Employee Benefits*, paragraph 133, the Group does not distinguish current and non-current portions of defined benefit obligations and presents the estimate as a whole within non-current liabilities.

r) Mandatory Social Security and Pension Schemes

The Group 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.

s) Provisions

Provisions for liabilities are recognised when the Group 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 Management's best estimate of the cost of the liability settlement as at the reporting date. 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.

t) Emission Rights

Green energy subsidies are received based on the quantity of generated and sold MWh of electricity generated by eligible turbines, net of own consumption, for which a certification of the regulatory body is issued based on the requirements of the relevant legislation.

Emission granted are recorded at their nominal value, i.e., zero.

The Group had an obligation to deliver emissions rights for actually produced emissions. The Group has opted to record emission rights received using the net liability method. The Group does not record any liability for actual emissions on the basis that the Group has received adequate emission rights to cover its actual emissions.

u) 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.

v) Revenue Recognition

(i) Goods Sold and Merchandise

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 after eliminating sales within the Group. 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 the continuous involvement of the Group in managing the goods.

(ii) Sales of services

Revenue from services is recognised in the accounting period in which the services are provided, with respect to the degree of completion of a particular transaction that is estimated on the basis of the service actually provided as a proportion of the total service to be provided.

(iii) *Sale of green energy and greenhouse gas emission allowances*

The revenues from the sale of green energy and greenhouse gas emission rights are recognized when all significant risks and rewards of ownership have been transferred to the buyer. The rights are quoted and sold on an active market.

w) Expenses

(i) Operating Lease Payments

For operating leases, the lease payments are expensed on a straight-line basis over the lease period. Operating leases expenses are presented as Other services in the Consolidated Statement of Comprehensive Income.

(ii) Finance Lease Payments

Minimum lease payments are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense 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 profit and loss when incurred.

Interest income is recognised in the statement of comprehensive income on an accrual basis using the effective yield method. Dividend income is recognised through profit and loss on the date when the dividend is declared.

x) 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 Group complies with the conditions attached thereto. Grants for the reimbursement are recognized as income over the period necessary to compensate for the systematic grant with the costs on which payment of the grant is intended. Grants for the acquisition of non-current tangible assets are recognised through the statement of comprehensive income in Other income on a systematic basis over the useful life of the asset.

y) Income Tax

Income tax for the year represents current tax and deferred tax.

Current tax 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 another years and it further excludes items that are not taxable or deductible. The Group's current tax liability is calculated using the tax rates that are valid or enacted until the preparation date of the statement of financial position.

Deferred tax assets and liabilities are provided, using a balance sheet method, on temporary differences between the tax bases of assets and liabilities and their values arising from the statement of financial

position. 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.
Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not be realised in the foreseeable future.

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 in which the liability is settled or the asset realised. The expected tax rate of 21% and 25% effective in the Slovak Republic and Austria, respectively, 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 Group intends to settle its current tax assets and liabilities on a net basis.

The Group applies income tax relief on the basis of a decision by the competent authority to implement investment plans related to the procurement of a new regeneration boiler and a new paper machine, including the related infrastructure. This income tax allowance is considered an investments tax incentive and is recognized as a reduction in the income tax as the credit is realized and a reduction in the income tax liability in the consolidated statement of financial position of the Group. No deferred tax asset is recognized when a tax credit arises.

Fulfillment of the conditions for the application of the relief is shown by the Group annually by the end of April of the current year for the previous year to the competent authority in the form of a report on the assessment of the eligible costs related to the project for which relief has been granted.

4. CRITICAL ACCOUNTING JUDGMENTS, KEY SOURCES OF ESTIMATION UNCERTAINTY AND ERRORS

a) Critical accounting estimates

In the process of applying the Group's accounting policies, which are described in Note 3, the Group has made the following estimates on aspects that have the most significant effect on the amounts recognised in the financial statements. There are risks that potential adjustments in future periods relating to such matters will be necessary, including the following:

Useful Lives

Non-current tangible and intangible assets are depreciated in accordance with their estimated actual useful life. The straight-line depreciation method is used (further details are described in Note 3 h).

The Company makes estimates and assumptions concerning the future. The resulting accounting extimates will, by definition, rarely equal the related actual results. Estimates and assumptions that have a signifcanit risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is economic useful life of non-current tangible assets. The economic useful life of tangible fixed assets stated in Note 3h) was based on the best estimate of the Group's management. Should the estimated full useful life of non-current tangible assets be shorter by 10%, the Group would record additional annual depreciation charge of non-current tangible assets of EUR 15,510 thousand (2016: EUR: 11,350 thousand). Should the estimated full useful life of non-current tangible assets be longer by 10%,the Group would record depreciation charge lower by EUR 4,639 thousand, (2016: EUR 6,609 thousand).

Calculation of employee benefits obligation

The Group recognises a significant amount as a provision for long-term employee benefits for its current employees. The valuation of this provision is sensitive to the assumptions used in the calculations,such as future levels of earnings and benefits, discount rates, fluctuations, rates of later retirement, mortality and average life expectancy. Further details are described in Note 23. Assumptions used are based on Austrian indicators since employee benefit plans are used by Austrian subsidiaries.

The fair value of the consideration regarding the acquisition of Austrian subsidiaries

The Group determined the amount of the liability arising from the purchase of Austrian company Mondi Neusiedler GmbH, and Ybbstaller Zellstoff GmbH (further details of purchase are described in Note 15), depending on the results of operations of acquired subsidiaries. The liability is determined based on expected EBITDA of acquired subsidiaries over the next five years in excess of the agreed level of EBITDA taking into account the payment of dividends and adjusted to present value. Changes in the assumptions of these indicators may affect the fair value of liabilities. The discount rate for the current value adjustment was used in the amount of 1.6% as in the case of payables from employee benefit plans. Further details are described in Note 27.

b) Prior period errors

(i) Correction of error in accounting for acquisition of subsidiaries under common control

As at 1 March 2016, the parent company and the subsidiary, Obaly S O L O, s.r.o., acquired a 100% share in Mondi Neusiedler GmbH, Austria (producer and trader in paper goods) and Ybbstaller Zellstoff GmbH, Austria (producer and trader in paper goods), from Mondi AG and Neusiedler Holdings BV as part of one transaction. The transaction is a business combination under common control as all entities (businesses) are controlled by the same ultimate controlling party. The transaction is accounted for using the predecessor value method according to the accounting policy stated in the Note 3 d) (i). The carrying amounts from the separate financial statements of the acquired entities are the same as the amounts recognised in relation to these entities in the consolidated financial statements of the ultimate controlling party; also no goodwill existed in the consolidated financial statements of the ultimate controlling party in relation to these acquired entities. The difference of EUR 8 146 thousand between the purchase consideration and the net assets acquired was incorrectly recognised in Other comprehensive income. Since the transaction represents a transaction with owners in their capacity as owners, the resulting difference should have been recognised directly in equity, in Other reserves.

The error has been corrected by restating each of the affected financial statement line items for the prior period as follows:

Consolidated statement of comprehensive income (extract) (EUR'000)	***Year Ended 31 December 2016 (As previously reported)***	***Correction of an error***	***Year Ended 31 December 2016 (Restated)***
Difference on the acquisition of Mondi Neusiedler and Ybbstaller Zellstoff	(8,146)	8,146	-
Total items not reclassified to profit or loss:	(18,827)	8,146	(10,681)
Other comprehensive income/(expenses), net of tax	**(18,754)**	**8,146**	**(10,608)**
Comprehensive income for the year	**71,195**	**8,146**	**79,341**
Comprehensive income for the year attributable to:			
- Holders of the parent company's shares	71,151	8,146	79,297

Additionally, in the statement of changes in equity, the amount of EUR 8,146 thousand was presented as transaction with the shareholders. The adjustment does not have impact on total equity.

(ii) Correction of error in classification of cash pool assets

As at 31 December 2016, the Group classified cash pooling balance with Mondi Finance Ltd of EUR 101,184 thousand as cash and cash equivalents in its consolidated statement of financial position and consolidated statement of cash flows.

As these balances do not meet a definition of cash or cash equivalents, they were excluded from the balance of cash and cash equivalents and are presented separately on the face of the statement of financial position as "Assets from cash polling within Mondi Group" in "Current Assets" category.

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

Consolidated statement of financial position (extract) (EUR'000)	***31 December 2016 (As previously reported)***	***Correction of an error***	***31 December 2016 (Restated)***
Cash and cash equivalents	106,029	(101,184)	4,845
Assets from cash polling within Mondi Group	-	101,184	101,184

Consolidated statement of financial position (extract) (EUR'000)	***1 January 2016 (As previously reported)***	***Correction of an error***	***1 January 2016 (Restated)***
Cash and cash equivalents	79,241	(78,613)	628
Assets from cash polling within Mondi Group	-	78,613	78,613

Consolidated statement of cash flows (extract) (EUR'000)	*31 December 2016 (As previously reported)*	*Correction of an error*	*31 December 2016 (Restated)*
Increase in Assets from cash pooling within Mondi Group	-	(22,571)	(22,571)
Cash flows from investing activities, net	**(44,956)**	**(22,571)**	**(67,527)**
Net increase/(decrease) in cash and cash equivalents	**26,788**	**(22,571)**	**4,217**
Cash and cash equivalents at the beginning of the year	79,241	(78,613)	628
Cash and cash equivalents at the end of the year	**106,029**	**(101,184)**	**4,845**

The correction further affected amounts of cash disclosed in Note 20 in line with the corrections stated above.

5. REVENUES

An analysis of the Group's revenues for the year:

(EUR'000)	*Year Ended 31 December 2017*	*Year Ended 31 December 2016*
Revenues from the sale of group's main activity products	769,188	721,834
Revenues from the sale of group's secondary activities products	18,528	17,859
Revenue from green energy sales and CO2 emissions	15,267	15,562
Other revenues	4,367	8,287
Total	**807,350**	**763,542**

Revenues from the sale of Group's main activity products include sales of office paper, wrapping paper and pulp. Revenues from the sale of group's secondary activities products include revenue from sales of energy, wood, paper for recycling, and material inventories. Other revenues are mainly revenues from the provision of services.

6. TRANSPORTATION AND SELLING COSTS

An analysis of transportation and selling costs for the year:

(EUR'000)	*Year Ended 31 December 2017*	*Year Ended 31 December 2016*
Transportation costs	49,580	48,114
Selling costs	17,638	17,581
Other	1,012	1,164
Total	**68,230**	**66,859**

7. RAW MATERIALS AND CONSUMABLES

An analysis of raw materials and consumables for the year:

(EUR'000)	*Year Ended 31 December 2017*	*Year Ended 31 December 2016*
Raw materials, direct and auxiliary materials (wood, pulp, chemicals, others)	344,448	303,820
Energy	55,152	46,051
Maintenance, felts and screens	39,738	33,852
Packages	23,994	22,106
Other (merchandise, other)	20,580	23,128
Total	**483,912**	**428,957**

8. OTHER SERVICES

An analysis of consumption of other services for the year:

(EUR'000)	*Year Ended 31 December 2017*	*Year Ended 31 December 2016*
Management and marketing services	9,559	9,183
Legal, advisory and auditing services	3,396	4,047
Insurance	3,344	2,969
Employee leasing and contractor costs	3,097	2,856
IT and telecommunication services	3,020	2,715
Rent	2,159	1,909
Maintenance of non-production facilities	2,056	1,892
Safety and health at work	1,804	1,483
Outsourcing	1,741	1,460
Taxes and fees	1,060	974
Personal services, travel expenses	1,020	924
Advertising costs	1,003	945
Cleaning of technological equipment	877	779
Transport of third parties	829	859
Other	5,545	5,238
Total	**40,510**	**38,233**

Legal, advisory and auditing services contain fees paid to the auditor for the audit and non-audit services in the amount of EUR 169 thousand and EUR 8 thousand respectively (2016: EUR 150 thousand and EUR 11 thousand).

9. PERSONAL EXPENSES

Personal costs incurred in the reporting period include the following categories:

(EUR'000)	*Year Ended 31 December 2017*	*Year Ended 31 December 2016*
Wages	62,719	51,365
Social expenses and other personal expenses	19,934	19,821
Total	**82,653**	**71,186**

10. OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses for the period are as following:

(EUR'000)	*Note*	*Year Ended 31 December 2017*	*Year Ended 31 December 2016*
Gain on revaluation of the variable consideration regarding the acquisition of subsidiaries	27	4,491	-
Profit / (loss) on sale of non-current assets		1,090	(1,115)
Other		(1,082)	(86)
Total		**4,499**	**(1,201)**

11. FINANCE INCOME AND FINANCE COSTS

Analysis of finance income and finance costs for the year:

(EUR'000)	*Note*	*Year Ended 31 December 2017*	*Year Ended 31 December 2016*
Interest income	27	51	2
Finance income total		**51**	**2**

(EUR'000)	*Note*	*Year Ended 31 December 2017*	*Year Ended 31 December 2016*
Interest expense related to the contingent consideration from the acquisition of Austrian subsidiaries (unwinding of the discount)	27	601	2,173
Interest expense		1,689	-
Total finance costs		**2,290**	**2,173**

12. INCOME TAX

(EUR'000)	*Note*	*Year Ended 31 December 2017*	*Year Ended 31 December 2016*
Current tax	25	20,239	18,648
Deferred tax	22	(1,467)	(3,447)
Income tax for the year		**18,772**	**15,201**

Income tax is calculated at 21% rate applied in the Slovak Republic and 25% applied in Austria for Austrian subsidiaries (2016: 22% in the Slovak Republic and 25% in Austria) of the taxable profit for the year.

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

	Year Ended 31 December 2017 *(EUR'000)*	*%*	*Year Ended 31 December 2016* *(EUR'000)*	*%*
Profit before tax:	88,360		105,150	
Tax calculated at the local income tax rate	18,556	21	23,133	22
Difference in overseas tax rate	149	25	234	25
Permanent differences	237		20	
Effect of rate change	-		(1,803)	
Tax relief	(156)		(6,458)	
Accruals and other differences	14		75	
Income tax and effective tax rate for the year	**18,772**	**21.2**	**15,201**	**14.5**

From 1 January 2017, the income tax rate in the Slovak Republic is 21%, until 31 December 2016 the rate was 22%.

In 2017, the Group applied income tax relief of EUR 156 thousand received under the investment aid provided in the total amount of EUR 48,836 thousand for the realization of an investment project related to the acquisition of a new paper machine and the related infrastructure (2016: EUR 6,458 thousand received under the investment aid provided in the total amount of EUR 25,375 thousand for the realization of an investment project related to the procurement of a new regenerative boiler and related infrastructure).

13. INTANGIBLE ASSETS

Analysis of intangible assets for the year ended 31 December 2017:

(EUR'000)	*Goodwill*	*Other Intangible Assets*	*Total*
Cost			
At 1 January 2017	169	27,010	27,179
Additions from acquisition	202	-	202
Additions	-	376	376
Disposals	-	(2,182)	(2,182)
Transfers and reclassification	-	44	44
At 31 December 2017	**371**	**25,248**	**25,619**
Amortisation & impairments			
At 1 January 2017	169	25,888	26,057
Charge for the year	-	649	649
Disposals	-	(2,182)	(2,182)
At 31 December 2017	**169**	**24,355**	**24,524**
Carrying amount			
At 1 January 2017	-	**1,122**	**1,122**
At 31 December 2017	**202**	**893**	**1,095**

Analysis of intangible assets for the year ended 31 December 2016:

(EUR'000)	*Goodwill*	*Other Intangible Assets*	*Total*
Cost			
At 1 January 2016	169	13,462	13,631
Additions from acquisition	-	17,222	17,222
Additions	-	310	310
Transfers and reclassification	-	19	19
Disposals	-	(4,003)	(4,003)
At 31 December 2016	**169**	**27,010**	**27,179**
Amortisation & impairements			
At 1 January 2016	169	12,770	12,939
Additions from acquisition	-	16,451	16,451
Charge for the year	-	676	676
Disposals	-	(4,003)	(4,003)
Provision	-	(6)	(6)
At 31 December 2016	**169**	**25,888**	**26,057**
Carrying amount			
At 1 January 2016	-	**692**	**692**
At 31 December 2016	-	**1,122**	**1,122**

Goodwill represents intangible assets with indefinite useful lives, valued at cost less accumulated impairment losses.

Other intangible assets comprise software, licenses, rights for energy supplies and non-current intangible assets in acquisition. Such assets have limited useful lives over which they are amortised.

The amortisation period for other intangible assets is four years.

The Group as at 31 December 2017 does not have intangible assets in acquisition and advances for intangible assets (as at 31 December 2016: EUR 36 thousand).

14. PROPERTY, PLANT AND EQUIPMENT

Analysis of property, plant and equipment for the year ended 31 December 2017:

(EUR'000)	*Buildings and Structures*	*Machines and Equipment*	*Assets under construction and Advance payments*	*Other Non-Current Tangible Assets*	*Total*
Cost					
At 1 January 2017	334,504	1,370,521	10,721	51,681	1,767,427
Additions from acquisition	-	4	-	-	4
Additions	-	-	40,541	-	40,541
Disposals	(4,456)	(18,382)	-	(535)	(23,373)
Transfers and reclassification	6,990	32,225	(40,252)	991	(46)
At 31 December 2017	**337,038**	**1,384,368**	**11,010**	**52,137**	**1,784,553**
Accumulated depreciation and impairment					
At 1 January 2017	186,762	1,035,550	-	46,171	1,268,483
Annual depreciation charge and impairment	7,630	42,219	-	1,338	51,187
Disposals	(4,154)	(18,226)	-	(532)	(22,912)
At 31 December 2017	**190,238**	**1,059,543**	**-**	**46,977**	**1,296,758**
Carrying amount					
At 1 January 2017	**147,742**	**334,971**	**10,721**	**5,510**	**498,944**
At 31 December 2017	**146,800**	**324,825**	**11,010**	**5,160**	**487,795**

Analysis of property, plant and equipment for the year ended 31 December 2016:

(EUR'000)	*Buildings and Structures*	*Machines and Equipment*	*Assets under construction and Advance payments*	*Other Non-Current Tangible Assets*	*Total*
Cost					
At 1 January 2016	211,207	1,027,884	10,031	12,358	1,261,480
Additions from acquisition	122,214	341,180	1,105	38,998	503,497
Additions	-	-	17,403	-	17,403
Disposals	(1,848)	(12,174)	-	(910)	(14,932)
Transfers and reclassification	2,931	13,631	(17,818)	1,235	(21)
At 31 December 2016	**334,504**	**1,370,521**	**10,721**	**51,681**	**1,767,427**
Accumulated depreciation and impairment					
At 1 January 2016	97,065	714,522	-	10,563	822,150
Additions from acquisition	84,856	289,947	-	35,415	410,218
Annual depreciation charge and impairment	6,682	42,951	-	1,100	50,733
Disposals	(1,841)	(11,870)	-	(907)	(14,618)
At 31 December 2016	**186,762**	**1,035,550**	**-**	**46,171**	**1,268,483**
Carrying amount					
At 1 January 2016	**114,142**	**313,362**	**10,031**	**1,795**	**439,330**
At 31 December 2016	**147,742**	**334,971**	**10,721**	**5,510**	**498,944**

Additions to non-current tangible assets mainly comprise reconstruction and upgrade of paper machines, pulp mill and energy systems including a wastewater treatment facility at the Ružomberok plant.

The Group did not recognise any pledged assets. The Group's assets are not subject to any liens that restrict the Group's handling of non-current assets.

The useful lives of relevant assets are described in Note 3 h).

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

Insured Object	*Type of Insurance*	*Amount 2017*	*Amount 2016*
Passenger vehicles	Against theft, motor hull	82	82
Property, plant and equipment	Against natural disasters	1,533,883	1,527,680
Machines and equipment	Machine breakage	1,696,610	1,684,837
Inventories	Against natural disasters	90,741	85,970

15. SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2017:

Name of Subsidiary	*Place of Registration and Operation*	*Principal Activity*	*Ownership Share in %*	*Year of First Consolidation*
Obaly S O L O, s r. o.	Tatranská cesta 3, 034 17 Ružomberok,	Production and trading in paper goods	100	2001
Strážna služba VLA-STA, s r. o.	Tatranská cesta 3, 034 17 Ružomberok	Security services	100	2006
SLOVWOOD Ružomberok, a. s.	Tatranská cesta 3, 034 17 Ružomberok	Mediation in timber trade	66	2008
Mondi Neusiedler, GmbH	Hausmening, Austria	Production and trading in paper goods	100	2016
Ybbstaller Zellstof, GmbH	Kematen, Austria	Production and trading in paper goods	100	2016
Slovpaper Recycling s. r. o.	L. Kassáka 10, 940 01 Nové Zámky	Waste management	100	2017

As of 1 April 2017, the parent company acquired a 100% share in Slovpaper Recycling s. r. o. based in Nové Zámky, Slovakia (previously Smurfit Kappa Recycling CE, s. r. o.) and started consolidating it using the full consolidation method.

The resulting goodwill amounted to EUR 202 thousand was recognized as part of intangible assets.

Net asset of the company Slovpaper Recycling s. r. o., as at 31 March 2017:

Item	**Carrying amount**	**Fair value**
Non-currents assets		
Intangible assets	-	-
Property, plant and equipment	1	5
Financial investments	744	911
Deferred tax asset	15	14
	760	**930**
Current assets		
Inventories	-	-
Trade and other receivables	619	619
Cash and cash equivalents	6	6
	625	**625**
Non-current liabilities		
Long-term provisions for liabilities	-	-
Deferred tax liability	-	-
Other non-current liabilities	-	-
	-	**-**
Current liabilities		
Short-term bank loans and borrowings	542	542
Trade and other payables	633	633
	1,175	**1,175**
Net asset of the company Slovpaper Recycling s. r. o.	**210**	**380**

Calculation of goodwill:

Acquisition price	582
Mondi SCP, a. s. share of the net assets in Slovpaper Recycling s. r. o.	380
Goodwill	**202**

As at 1 March 2016, the parent company and the subsidiary, Obaly S O L O, s.r.o., acquired a 100% share in Mondi Neusiedler GmbH, Austria and Ybbstaller Zellstoff GmbH, Austria, from Mondi AG and Neusiedler Holdings BV as part of one transaction and included them in consolidation using the predecessor accounting method; the resulting difference of EUR 8 146 thousand was recognised directly in equity, in Other reserves, as the transaction was carried out under the joint control of the Mondi Group. Prior to the acquisition, the acquired subsidiaries were owned by same ultimate controlling party as Mondi SCP group, however, they were not directly controlled by the Mondi SCP parent company.

Balance sheet of Mondi Neusiedler GmbH and Ybbstaller Zelstoff GmbH as at 29 February 2016:

Non-current assets	
Intangible assets	771
Property, plant and equipment	93 279
Financial assets	3 766
Deferred tax asset	83
	97 900
Current assets	
Inventories	42 365
Trade and other receivables	57 689
Cash and cash equivalents	5 252
	105 306
Non-current liabilities	
Long-term provisions for liabilities	31 049
Deferred tax liability	1 888
Other non-current liabilities	933
	33 870
Current liabilities	
Short-term borrowings	57 343
Trade and other payables	45 807
	103 150
Net assets of Mondi Neusiedler GmbH and Ybbstaller Zelstoff GmbH	**66 186**

Calculation of the difference from the 1st consolidation:

Acquisition of investments including contingent liabilities (note 27) and EUR 30 million paid in cash	74 332
Share of Mondi SCP, a.s. and Obaly S O L O, s. r. o. in net assets	66 186
Difference from 1st consolidation	**8 146**

16. INVESTMENTS IN JOINT VENTURES

Details of the Group's joint ventures at 31 December 2017:

Name of Associate	*Place of Registration and Operation*	*Principal Activity*	*Ownership Share in %*	*Share in Voting Rights in %*	*The carrying value of the investment*
RECOPAP, s. r. o.	Bratislavská 18, Zohor	Sorting and pressing of waste paper	50	50	463
KB Paper, s. r. o.	L. Kassáka 10, Nové Zámky	Sorting and pressing separated paper	50	50	126
East Paper, s. r. o.	Rastislavova 98, Košice	Waste management business	51	50	224
					813

As at 31 December 2016, the Company did not have investments in joint ventures. Investments in joint ventures were acquired in 2017 as part of the acquisition of 100% share of Slovpaper Recycling s. r. o. They are accounted for using equity method.

17. FINANCIAL ASSETS AVAILABLE FOR SALE

Movement analysis of financial assets available for sale:

(EUR'000)	*2017*	*2016*
At 1 January	3,865	-
Acquisition of Austrian subsidiaries	-	3,766
Remeasurement - gross, transfer to equity	72	99
Total at 31 December	**3,937**	**3,865**

Financial assets available for sale comprise of available-for-sale securities.

In 2017, no financial assets available for sale were sold and no related provision was recognised.

The amounts included in the consolidated statement of comprehensive income:

(EUR'000)	*31 December 2017*	*31 December 2016*
Gains / (losses) recognized in other comprehensive income	72	99
Total	**72**	**99**

Information on the valuation methods used is provided in Note 29 below.

18. INVENTORIES

Analysis of inventories for the year:

(EUR'000)	*31 December 2017*	*31 December 2016*
Raw materials, consumables and spare parts	30,431	32,386
Work in progress and semi-finished goods	22,674	21,999
Finished goods	25,506	19,623
Merchandise	403	764
Total	**79,014**	**74,772**

The inventory listed in the table above is recognised net of provision.

The amount of the consumed raw materials is disclosed in Note 7.

As at 31 December 2017, the Group recorded provisions in the amount of EUR 23,380 thousand (2016: EUR 22,615 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 as at the year-end which was based on an assessment of the net realisable value of inventories.

Group entities re-assessed the recorded provisions for inventories and came to the conclusion that the amount of the provisions is sufficient.

Movements in the provision for inventories:

(EUR'000)	*31 December 2017*	*31 December 2016*
At 1 January	22,615	13,972
Increase from acquisitions	-	7,946
Additions	1,033	1,075
Use and release	(267)	(378)
Total	**23,380**	**22,615**

19. TRADE AND OTHER RECEIVABLES

(EUR'000)	*31 December 2017*	*31 December 2016*
Receivables from the sale of finished goods and services	105,175	102,182
Tax receivables	11,615	13,315
Advance payments made	1,413	977
Other receivables	433	1,653
Total	**118,636**	**118,127**

The Group created a provision for estimated irrecoverable receivables from the sale of finished goods and other receivables in the amount of EUR 167 thousand (2016: EUR 169 thousand). This provision was determined with reference to past default experience. The management believes that the carrying amount of trade and other receivables approximates their fair value.

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

(EUR'000)	*31 December 2017*	*31 December 2016*
Within maturity	117,864	117,415
Overdue	939	881
Total	**118,803**	**118,296**

The Group received no collateral or other forms of security in respect of its receivables. Risk of noncollection is covered by the insurance program of the Mondi Group and EXIM Bank.

The Group recorded no receivables under lien.

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise bank accounts and cash on hand, including the Group'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 is attached to cash and cash equivalents that would result in any restrictions of the Group's asset handling.

For the purpose of the statement of cash flows, cash and cash equivalents also include overdraft facilities.

(EUR'000)	*31 December 2017*	*31 December 2016 (Restated)*
Cash and cash equivalents	1,157	4,845
Total	**1,157**	**4,845**

21. SHARE CAPITAL

Share capital was issued in the form of bearer shares. As at 31 December 2017 and 2016, 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 paid. None of the Company's shares are quoted on the stock exchange.

22. OTHER RESERVES

As at 31 December 2017, Other reserves consisted of capital funds and other funds.

Capital funds consisted of legal reserve fund in amount of EUR 48,330 thousand, statutory funds in amount of EUR 36,152 thousand, additional paid in capital in amount of EUR 3,068 thousand and other deposits not increasing the share capital in amount of EUR 1,861 thousand. The total amount of capital funds was EUR 89,411 thousand.

Other funds include funds created from actuarial gain on employee benefits after termination of employment, and post-employment health care in amount (EUR 3,731 thousand) and the difference arising from the acquisition of Austrian companies Mondi Neusiedler and Ybbstaller Zellstof in amount (EUR 8,146 thousand) (Note 15) and Other funds in amount (EUR 38 thousand). The total amount of other funds was (EUR 11,678 thousand).

23. EMPLOYEE BENEFIT OBLIGATIONS

The Group estimated a provision for retirement payments and other long-term employee benefits in the year ended 31 December 2017 based on an actuarial valuation.

Defined benefit plans typically expose the Group to the following actuarial risks:

Investment risk (Asset volatility)

The present value of the net retirement benefit liability/asset is calculated using a discount rate determined by reference to high-quality corporate bond yields. Currently, the plan assets have a relatively balanced investment in equity and bonds. Due to the long-term nature of the plan liabilities, the boards of trustees consider it appropriate that a reasonable portion of the plan assets should be invested in equities.

Interest risk

A decrease in the corporate bond interest rate will increase plan liabilities, however, this will be partially offset by an increase in the value of the plan's fixed rate debt instruments.

Longevity risk

The present value of the net retirement benefit liability/asset is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan liabilities.

Salary risk

The present value of the net retirement benefit liability/asset is calculated by reference to the expected future salaries of plan participants. An increase in the salary of the plan participants will increase the plan liabilities.

Medical cost inflation risk

The present value of the post-retirement medical plans is calculated by reference to expected future medical costs. An increase in medical cost inflation will increase the plan liabilities.

The expected maturity analysis of undiscounted retirement benefits is as follows:

31 December 2017

(EUR '000)	*Pension benefits*	*Post-employment health care*	*Retirement payment & Jubilee benefit*	*Total*
Less than a year	234	3,223	1,285	**4,741**
Between one and two years	236	6,807	358	**7,401**
Between two to five years	722	7,188	1,614	**9,524**
After five years	1,571	31,935	24,289	**57,795**
Total	**2,763**	**49,153**	**27,545**	**79,461**

31 December 2016

(EUR '000)	*Pension benefits*	*Post-employment health care*	*Retirement payment & Jubilee benefit*	*Total*
Less than a year	336	2,970	686	**3,992**
Between one and two years	339	6,291	26	**6,656**
Between two to five years	1,038	6,662	937	**8,637**
After five years	2,178	30,547	25,937	**58,662**
Total	**3,891**	**46,470**	**27,586**	**77,947**

The weighted average duration of the defined benefit pension liability is 15 years (2016: 15 years).

It is expected that the Group's share of contributions will increase as the schemes' members age. The expected contributions to be paid to defined benefit pension plans and post-retirement medical plans during 2018 are EUR 4,743 thousand.

The majority of the Group's plan assets are located in Austria. The investment strategy is based on Austrian Social Security Law which stipulates that investments can only be made in high-quality euro denominated bonds or deposits in euro in highly rated financial institutions.

The employee benefit plan liabilities recognised in the balance sheet:

(EUR'000)	*31 December 2017*	*31 December 2016*
Pension benefits	6,116	7,201
Post-employment health care	4,159	11,102
Entitlement to lump-sum payment upon retirement	21,255	22,248
Payable from other long-term employee benefits (jubilee benefits)	8,009	8,006
Total	**39,539**	**48,557**

Recognised in the consolidated statement of comprehensive income:

(EUR'000)	*31 December 2017*	*31 December 2016*
Profit for the current year		
Pension benefits	193	187
Post-employment health care	40	(47)
Entitlement to lump-sum payment upon retirement	1,501	1,009
Payable from other long-term employee benefits (jubilee benefits)	1,033	542
Other comprehensive income		
Actuarial remeasurements, net of tax	(7,090)	10,681
Total	**(4,323)**	**12,372**

a) Pension benefits

The Group makes contributions to the pension benefits plan for employees of both Austrian companies.

Amounts recognised in the balance sheet are as follows:

(EUR'000)	***31 December 2017***	***31 December 2016***
Present value of unfunded defined benefit pension obligation	6,116	7,201
Total	**6,116**	**7,201**

Movements in liability for the pension plan during the year:

(EUR'000)	***31 December 2017***	***31 December 2016***
At 1 January	7,201	-
Additions from acquisition	-	6,420
Current service cost	98	73
Interest expense	95	114
Actuarial (gains) / losses from demographic assumptions	(898)	1,498
Actuarial gains from financial assumptions	(159)	(656)
Paid benefits	(221)	(248)
At 31 December	**6,116**	**7,201**

Amounts recognised in the income statement:

(EUR'000)	***31 December 2017***	***31 December 2016***
Current service cost	98	73
Interest expense	95	114
Total	**193**	**187**

Basic actuarial assumptions used:

(EUR'000)	***31 December 2017***	***31 December 2016***
Discount rate	1.6%	1.0%
Inflation	1.8%	1.8%
Future growth of wages	3.5%	3.5%
Future growth of pensions	2.0%	2.0%

Sensitivity analysis for the year ended 31 December 2017:

	Sensitivity 1	***The main assumption***	***Sensitivity 2***
Discount rate	0.6%	1.6%	2.6%
Net liability for defined benefit pension obligation	7,720	6,116	4,954
Inflation	0.8%	1.8%	2.8%
Net liability for defined benefit pension obligation	5,046	6,116	7,606

Sensitivity analysis for the year ended 31 December 2016:

	Sensitivity 1	***The main assumption***	***Sensitivity 2***
Discount rate	0.0%	1.0%	2.0%
Net liability for defined benefit pension obligation	9,130	7,201	5,616
Inflation	0.8%	1.8%	2.8%
Net liability for defined benefit pension obligation	5,931	7,201	8,989

b) Post-employment healthcare plans

The Group provides the healthcare programme for retired employees of both Austrian companies. The accounting treatment, specification of assumptions and measurement period are similar to these related to the defined benefit pension plans.

Amounts recognised in the balance sheet are as follows:

(EUR'000)	***31 December 2017***	***31 December 2016***
Present value of payables financed through fund assets	19,844	26,183
Fair value of fund assets	(15,685)	(15,081)
Total	**4,159**	**11,102**

Movements in present value of defined benefit obligation during the year:

(EUR'000)	***31 December 2017***	***31 December 2016***
At 1 January	26,183	-
Additions from acquisition	-	15,111
Interest expense	268	283
Actuarial losses / (gains) resulting from experience adjustments	5,311	(932)
Actuarial (gains) / losses from changes in financial assumptions	(11,941)	11,526
Plan participants contributions	3,131	3,053
Paid benefits	(3,108)	(2,858)
At 31 December	**19,844**	**26,183**

Movements in the fair value of assets during the year:

(EUR'000)	*31 December 2017*	*31 December 2016*
At 1 January	15,081	-
Additions from acquisition	-	14,958
Interest income	228	330
Actuarial gains / (losses) on plan assets	353	(401)
Plan participants contributions	3,131	3,053
Paid benefits	(3,108)	(2,858)
At 31 December	**15,685**	**15,081**

Amounts recognised in the income statement:

(EUR'000)	*31 December 2017*	*31 December 2016*
Interest expense, net	40	(47)
Total	**40**	**(47)**

Used basic actuarial assumptions:

(EUR'000)	*31 December 2017*	*31 December 2016*
Discount rate	1.6%	1.0%
Inflation	1.8%	1.8%
Future wage growth	3.0%	3.0%
Expected long-term return on assets	1.6%	1.0%

The impact of a 1% change in estimated healthcare costs would be as follows:

(EUR'000)	*Increase*	*Decrease*
Impact on current service costs and interest expense	270	(215)
Impact on the defined benefit obligation of the post-employment healthcare plan	16,863	(13,438)

Sensitivity analysis for the year ended 31 December 2017:

	Sensitivity 1	*The main assumption*	*Sensitivity 2*
Discount rate	0.6%	1.6%	2.6%
Net liability for defined benefit pension obligation	35,170	19,844	10,729
Inflation	0.8%	1.8%	2.8%
Net liability for defined benefit pension obligation	23,127	19,844	16,386

Sensitivity analysis for the year ended 31 December 2016:

	Sensitivity 1	*The main assumption*	*Sensitivity 2*
Discount rate	0.0%	1.0%	2.0%
Net liability for defined benefit pension obligation	46,470	26,183	14,273
Inflation	0.8%	1.8%	2.8%
Net liability for defined benefit pension obligation	28,811	26,183	23,685

c) Payable from entitlement to retirement payment

The long-term employee benefit plan is a defined benefit scheme of the Group under which employees are entitled to a lump-sum benefit upon old age or disability retirement in an amount equaling a certain percentage of the annual company average wage subject to defined requirements. As at 31 December 2017, the scheme applied to all of the Group's employees. As at the above date, the scheme was not funded, i.e. there were no assets specifically allocated to cover liabilities resulting from the scheme.

Movements in payables from retirement payment during the year:

(EUR'000)	*31 December 2017*	*31 December 2016*
At 1 January	22,248	947
Additions from acquisition	-	18,626
Past service cost	341	-
Current service cost	850	659
Interest expense	310	350
Actuarial remeasurements	(1,406)	2,398
Paid benefits	(1,088)	(732)
At 31 December	**21,255**	**22,248**

Amounts recognised in the income statement:

(EUR'000)	*31 December 2017*	*31 December 2016*
Past service cost	341	-
Current service cost	850	659
Interest expense	310	350
Total	**1,501**	**1,009**

Key actuarial assumptions:

Key actuarial assumptions	*At 31 December 2017*	*At 31 December 2016*
Real discount rate p.a.	1.6 %	1.0 %
Staff turnover p.a.	1.0 % - 3.1%	1.0 % - 3.1%
Retirement age, men/women	62 – 63 / 58 - 60	62 – 63 / 58 - 60
Mortality and disability table	Pagler & Pagler	Pagler & Pagler
Expected increase in wages and salaries	2.5%	2.5 %

Sensitivity analysis for the year ended 31 December 2017:

	Sensitivity 1	***The main assumption***	***Sensitivity 2***
Discount rate	0.6%	1.6%	2.6%
Net liability for defined benefit pension obligation	23,889	21,255	19,023
Inflation	0.8%	1.8%	2.8%
Net liability for defined benefit pension obligation	18,889	21,255	23,988

Sensitivity analysis for the year ended 31 December 2016:

	Sensitivity 1	***The main assumption***	***Sensitivity 2***
Discount rate	0.0%	1.0%	2.0%
Net liability for defined benefit pension obligation	25,140	22,248	19,800
Inflation	0.8%	1.8%	2.8%
Net liability for defined benefit pension obligation	19,824	22,248	25,045

d) Payable from other long-term employee benefits

The Group has an obligation to pay work anniversary long service bonuses.

Movements in payable from other long-term employee benefits during the year:

(EUR'000)	
At 1 January 2017	8,006
Current service cost	956
Interest expense	77
Paid benefits	(504)
Actuarial losses / (gains) resulting from experience adjustments	(152)
Actuarial (gains) / losses from changes in financial assumptions	(374)
At 31 December 2017	**8,009**

Key actuarial assumptions are the same as for payables from retirement payment.

The sensitivity analysis for the years ending 31 December 2017 and 31 December 2016 showed that the change of +/- 1% of the discount rate and the inflation did not have a significant impact on the value of the net liability from the defined employee benefits.

24. INTEREST-BEARING BORROWINGS

(EUR'000)	*Pozn.*	***31 December 2017***	***31 December 2016***
Loans and borrowings from related parties	29	42,566	35,294
Total		**42,566**	**35,294**

The maturity of loans and borrowings is up to 12 months.

Movement of loans and borrowings from related parties:

(EUR'000)	*2017*
At 1 January	35,294
Interest accrued	1,054
Interest paid	(1,054)
Loan repayments	(555)
Proceeds from loans	7,827
At 31 December	**42,566**

The Group did not draw any short- or long-term bank loans in 2017. As at 31 December 2017 and 31 December 2016, the Group drew an operating loan within the Mondi Group granted by Mondi Finance plc., London.

25. DEFERRED TAX ASSET AND DEFERRED TAX LIABILITY

The following are the major deferred tax liabilities and assets recognised by the Group and their movements during the current reporting periods.

Deferred tax asset	*Difference in NBV of Non-current Assets*	*Other Temporary Differences*	*Tax Loss*	*Total*
At 1 January 2017	(5,437)	7,416	-	1,979
Additions from acquisition	(1)	15	-	14
Recognised in the income statement	(26)	57	4	35
Recognised in equity	-	(25)	-	(25)
Reclassification	5,330	(6,946)	-	(1,616)
At 31 December 2017	**(134)**	**517**	**4**	**387**

Deferred tax liability	*Difference in NBV of Non-current Assets*	*Other Temporary Differences*	*Tax Loss*	*Total*
At 1 January 2017	42,225	(4,787)	-	37,438
Recognised in the income statement	(864)	(568)	-	(1,432)
Recognised in equity	-	2,326	-	2,326
Reclassification	5,330	(6,946)	-	(1,616)
At 31 December 2017	**46,691**	**(9,975)**	**-**	**36,716**

Deferred tax liabilities and receivables ageing structure:

(EUR'000)	*31 December 2017*	*31 December 2016*
Deferred tax asset		
- over 12 months	387	1,979
- due within 12 months	-	-
Total	**387**	**1 979**

(EUR'000)	*31 December 2017*	*31 December 2016*
Deferred tax liability		
- over 12 months	34 306	35 252
- due within 12 months	2 410	2 186
Total	**36,716**	**37,438**

26. PROVISIONS

Movement of a non-current part of a provision for restoration of a landfill:

(EUR'000)	*2017*	*2016*
At 1 January	1,414	1,315
Additions	930	99
Use	(11)	-
Transfers and reclassifications	(430)	-
At 31 December	**1,903**	**1,414**

Additions to provisions for the restoration of a landfill related to the new stage of the landfill in the amount of EUR 818 thousand and unwinding of interest to adjust the provision to net present value as at 31 December 2017 in the amount of EUR 112 thousand.

Environmental Provision is made for the reclamation of landfills pursuant to the applicable environmental legislation in the Slovak Republic.

The Group owns and operates the three stages of the landfill where it is legally obliged to reclaim them after their capacity has been reached. The Group creates the provision for the estimated future payments based on the expected date of closure of these landfills.

The provision balance for the first stage of the landfill is EUR 61 thousand, this has been closed and is being used to reimburse the costs associated with its monitoring. The second stage of the landfill, for which a provision of EUR 1,450 thousand is created is closed by the end of 2017, and reclamation is due to start in 2018. Provision was calculated using a discount rate of 8% and an average annual inflation of 4.4%. The third stage of the landfill, for which a provision of EUR 822 thousand is created, is planned to close by the end of 2025. It used a discount rate of 6.97% and an average annual inflation of 1.4%.

Movements of current part of the provision for restoration of a landfill and other current provisions:

(EUR'000)	*Restoration provision*	*Restructuring provision*	*Onerous contracts provision*	*Current provisions total*
At 1 January 2017	-	21	1,151	1,172
Additions	-	-	1,624	1,624
Use	-	(21)	(1,151)	(1,172)
Transfers and reclassifications	430	-	-	430
At 31 December 2017	430	-	**1,624**	**2,054**

(EUR'000)	*Restoration provision*	*Restructuring provision*	*Onerous contracts provision*	*Current provisions total*
At 1 January 2016	-	-	-	-
Additions	-	119	1,667	1,786
Use	-	(98)	(516)	(614)
Transfers and reclassifications	-	-	-	-
At 31 December 2016	**-**	**21**	**1,151**	**1,172**

27. TRADE AND OTHER PAYABLES

(EUR'000)	*31 December 2017*	*31 December 2016*
Trade payables	111,019	113,997
CAPEX trade payables	7,188	3,021
Other payables	15,238	16,841
Total	**133,445**	**133,859**

Breakdown of trade payables by maturity:

	Maturity				
Item	*Within Maturity Period*	*Retainer*	*Up to 365 Days Overdue*	*Over 365 Days Overdue*	*Total*
31 December 2017					
Trade payables (including CAPEX payables)	102,066	973	15,090	78	118,207
31 December 2016					
Trade payables (including CAPEX payables)	102,446	473	13,890	209	117,018

Other payables comprise the following items:

(EUR'000)	*31 December 2017*	*31 December 2016*
Payables to employees, from social security insurance and other taxes	10,970	10,647
Accrued liabilities	1,671	1,318
Social fund	614	648
Other	1,983	4,228
Total	**15,238**	**16,841**

The Group's recorded payables to creditors are not secured.

Other non-current liabilities comprise the following:

(EUR'000)	*31 December 2017*	*31 December 2016*
Payable associated with the acquisition of financial investments	35,130	40,545
Other	1,123	1,708
Total	**36,253**	**42,253**

A decrease in other non-current liabilities is caused mainly by a non-current portion of a payable to Mondi AG from the purchase of subsidiaries. The payable was set based on the anticipated EBITDA ratios of the acquired subsidiaries over the following six-year period exceeding the agreed EBITDA amount, net of dividends paid and adjusted to the present value. The amount payable depends on the expected operating results of the acquired subsidiaries.

Movement of the non-current portion of payable associated with the acquisition of financial investments:

V tis. €	*2017*	*2016*
As of 1 january	40,545	-
Initial recognition	-	40,545
Repayments	(1,525)	-
Unwinding of interest associated with payable from acquisition of subsidiaries	601	-
Gain from revaluation of financial liability at FVTPL	(4,491)	-
As of 31 December	**35,130**	**40,545**

Sensitivity analysis for the year ended 31 December 2017:

	Sensitivity 1	*The main assumption*	*Sensitivity 2*
Discount rate	0.5%	1.5%	2.5%
Payable associated with the acquisition of financial investments	36,470	35,130	33,860
EBITDA and Net profit	-10%	n/a	+10%
Payable associated with the acquisition of financial investments	24,560	35,130	42,490

Sensitivity analysis for the year ended 31 December 2016:

	Sensitivity 1	***The main assumption***	***Sensitivity 2***
Discount rate	0.5%	1.5%	2.5%
Payable associated with the acquisition of financial investments	45,640	44,330	43,090
EBITDA and Net profit	-10%	n/a	+10%
Payable associated with the acquisition of financial investments	29,850	44,330	58,690

28. CAPITAL RISK MANAGEMENT

The Group 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.

The gearing ratio at the year-end was as follows:

(EUR'000)	***31 December 2017***	***31 December 2016***
Debt (i)	(42,566)	(35,294)
Cash and cash equivalent and Assets from Cash pooling within Mondi Group	145,481	106,029
Net debt	(102,915)	(70,735)
Equity	536,892	500,250
Net debt to equity ratio	**(0.19)**	**(0.14)**

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

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

29. FINANCIAL RISK MANAGEMENT

Categories of Financial Instruments

Financial assets:

(EUR'000)	***Assets at FVPL***	***Assets at amortised cost***
2017		
Financial assets available for sale	3,937	-
Loans and receivables (including cash and cash equivalents)	-	264,602
Financial assets	**3,937**	**264,602**
2016		
Financial assets available for sale	3,865	-
Loans and receivables (including cash and cash equivalents)	-	224,222
Financial assets	**3,865**	**224,222**

Financial liabilities:

(EUR'000)	*Liabilities at FVPL*	*Liabilities at amortised cost*
2017		
Financial liabilities measured at fair value through profit or loss	35,281	-
Other financial liabilities	-	177,134
Financial liabilities	**35,281**	**177,134**
2016		
Financial liabilities measured at fair value through profit or loss	44,330	-
Other financial liabilities	-	167,076
Financial liabilities	**44,330**	**167,076**

Financial Risk Factors

The Group is exposed to a variety of financial risks, which include the effects of changes in foreign currency exchange rates and loan interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group'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 Group's policies and approved by the Group's Board of Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of derivative financial and non-financial instruments, and the investment of excess liquidity. The Group is not involved in trading with financial instruments and it does not use derivative financial instruments for speculative purposes.

Market Risk

Market risk includes: interest rate risk and exchange rate risk

- **Interest Rate Risk**

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

Interest Rate Sensitivity
The Group drew only a short-term interest-bearing borrowing from related parties and was exposed to only immaterial interest rate risk during 2017. Therefore, no sensitivity analysis was performed. As at 31 December 2017, the Group has no open interest rate derivatives.

- **Foreign Currency Risk**

The share of monetary assets and liabilities denominated in a foreign currency to the total liabilities/assets has not been significant and represents a minor currency risk for the Group. Therefore, no sensitivity analysis was performed. The Group ensures that its net exposure is maintained 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 2017, the Group has opened 4 derivative transactions to hedge the currency risk associated with securing the investment contract no. 073CPX2017 with Noram Engineering and Constructors Ltd, Canada. All derivative transactions are arranged through Mondi Finance plc.

The Group also accounted for these foreign currency derivatives in the course of 2017.

Trade date	Maturity	Sale	Purchase	Forward rate
20.11.2017	5.1.2018	166,432 EUR	196,950 USD	1.1833646
2.6.2017	12.2.2018	1,550,920 EUR	1,772,550 USD	1.142902
2.6.2017	3.4.2018	343,633 EUR	393,900 USD	1.14628
2.6.2017	30.4.2018	343,133 EUR	393,900 USD	1.1479528

Note: Sale / Purchase by Mondi SCP

Credit Risk

The management of the Group 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 programme of the Mondi Group. At the reporting date, there were no significant risk concentrations in the financial assets. Derivative and cash transactions are carried out only through high-credit quality financial institutions. The Group did not limit the amount of credit exposure to any financial institution.

Group's customer structure requires individual approach to credit risk assessment. Before the conclusion of the contractual relationship, the credit risk analysis is performed. Taking into account the results of the analysis and other risk-sensitive aspects, the customer is assigned a credit limit for trading, which may be external, provided by the insurance company or internal, provided by the Group. For smaller customers, prepayments are used. The methods used to analyze, evaluate and manage credit risk are effective and adequately eliminate credit risk.

The Group creates a write-off for impairment, which represents an estimate of Group losses resulting from trade and other receivables and investments. The Group creates a specific provision for receivables that assess individually and at the same time a general allowance for other receivables by applying the appropriate percentage rate based on historical data and payment statistics.

Analysis of receivables:

(EUR'000)	*31 December 2017*	*31 December 2016*
Impaired receivables	632	2,196
Receivables due but not impaired	103,613	99,105
Receivables ovderdue but not impaired	930	881
of which 30 days overdue	691	701
of which over 30 days overdue	249	180
Total trade receivables (Note 2019)	**105,175**	**102,182**

Analysis of bank accounts by rating:

(EUR'000)	*31 December 2017*	*31 December 2016*
Baa2 (Moody's)	1,157	4,845
Total	**1,157**	**4,845**

Liquidity Risk

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

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

(EUR'000)	*Weighted Average Effective Interest Rate*	*Up to 1 Month*	*1-3 Months*	*3 Months – 1 year*	*1-5 years*	*5 Years and More*	*Total*
2017							
Interest-free	-	69,238	32,137	40,137	37,160	81	178,729
Floating interest rate instruments	EONIA + 0.5%	-	-	42,566	-	-	42,566
Total		**69,238**	**32,137**	**82,679**	**37,160**	**81**	**221,295**
2016							
Interest-free	-	60,697	39,940	37,849	34,534	6,052	179,072
Floating interest rate instruments	EONIA + 0.5%	-	-	35,294	-	-	35,294
Total		**60,697**	**39,940**	**73,143**	**34,534**	**6,052**	**214,366**

The Group has access to credit lines provided by ECO Investment, 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 Group assumes that the operating cash flows and proceeds from financial assets due will be used to settle their 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 Group uses techniques and market assumptions based on the conditions existing on the market as at the reporting date. Other methods, mainly the estimated discounted value of future cash flows, are used to determine the fair value of 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 Group for similar financial instruments.

The Fair Value Hierarchy

The Group uses the following hierarchy to determine and recognize the fair value of financial instruments and non-financial assets using the valuation method:

Level 1: Quoted prices (unadjusted) in active markets for the same assets and liabilities.

Level 2: Other techniques where all purchases that have a significant effect on fair value are observable on the market, whether directly or indirectly.

Level 3: Techniques where inputs that have a significant impact on fair value are not based on observable market data.

Recurring fair value measurements as of 31 December 2017:

(EUR'000)	*Level 1*	*Level 2*	*Level 3*
Financial assets available for sale	3,937	-	-
Financial assets	**3,937**	**-**	**-**
Financial liabilities measured at fair value through profit or loss	151	-	35,130
Financial liabilities	**151**	**-**	**35,130**

Recurring fair value measurements as of 31 December 2016:

(EUR'000)	*Level 1*	*Level 2*	*Level 3*
Financial assets available for sale	3,865	-	-
Financial assets	**3,865**	**-**	**-**
Financial liabilities measured at fair value through profit or loss	-	-	44,330
Financial liabilities	**-**	**-**	**44,330**

Fair value measurements using significant unobservable inputs (level 3)

Changes in fair value measurements for level 3 items are disclosed in Note 27.

30. RELATED PARTY TRANSACTIONS

a) Shareholders Structure

Direct shareholders of the Company include: Mondi SCP Holdings B. V., with its registered office at Maastricht, the Netherlands, which owns a 51% share in the Company's share capital, and ECO-INVESTMENT, a.s., with its registered office at Náměstí Republiky 1037/3, Nové Město, 1 10 00 Prague 1, Czech Republic, which owns a 49% share in the Company's share capital.

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in these Notes. The details of the transactions between the Group and their related parties are disclosed below.

b) Business Transactions

During the reporting period, group entities entered into the following business transactions with related parties that are not members of the Group:

(EUR'000)	*Year Ended 31 December 2017*			
Company	***Sales of Goods and Services***	***Purchase of Goods and Services***	***Receivables***	***Payables***
Other related parties				
Operating activities				
Mondi Paper Sales Wien	687,950	71,818	87,422	6,271
Mondi Syktyvkar	11,404	1,512	2,672	-
SHP Harmanec, a. s.	9,244	-	1,743	-
Harmanec-Kuvert, Spol., s.r.o.	2,760	-	128	-
WOOD & PAPER a.s.	2,681	2,459	291	289
SCP-PSS, s. r. o.	1,951	3,278	330	410
Papierholz Austria GmbH	1,804	9,434	62	1,571
Mondi Swiecie	1,030	9,227	172	1,141
Mondi Finance plc	624	-	-	-
Mondi Uncoated Fine & Kraft Paper GmbH	313	6,099	68	975
Mondi AG	252	4,815	52	37,142
FK INVEST, a. s., Košice	129	641	127	53
Mondi Šteti, a. s.	61	-	45	-
Mondi Coating Zeltweg GmbH	41	-	-	1
Mondi Bags Štětí a.s.	37	-	6	-
Mondi Release Liner Austria GmbH	33	-	-	-
Mondi Limited	5	-	5	-
Mondi Plc	5	309	5	273
Mondi Frantschach Gmbh	2	-	-	-
Mondi Corrugated Swiecie sp Zoo	-	3,916	-	660
ECO Invest SVK, a. s.	-	3,752	-	349
Mondi Packaging BZWP sp Zoo	-	2,512	-	401
Mondi Coating Štětí, a.s.	-	394	-	53
Mondi Bupak, s.r.o.	-	87	-	4
Dipeco AG	-	1	-	-
Investing activities (Note 30 c)				
Mondi Finance Limited	2	-	144,746	-
Financing activities (Note 24)				
Mondi Finance Limited	-	1,054	-	42,566
Total	**720,328**	**121,308**	**237,874**	**92,159**

(EUR'000)	*Year Ended 31 December 2016*			
Company	***Sales of Goods and Services***	***Purchase of Goods and Services***	***Receivables***	***Payables***
Parent company				
ECO-INVESTMENT, a.s.,	-	2,850	-	-
Other related parties				
Operating activities				
Mondi Paper Sales Wien	632,959	61,132	88,676	11,505
Mondi Syktyvkar	8,491	5,540	3,026	803
SHP Harmanec a.s.	7,855	-	1,009	-
SCP-PSS, s.r.o.	1,917	3,085	382	450
Mondi AG	344	4,446	65	1,965
Mondi Uncoated Fine & Kraft Paper GmbH	322	6,252	75	1,029
Mondi Swiecie	59	5,267	26	617
Mondi Šteti, a. s.	31	-	3	-
Mondi Bags Štětí a.s.	39	-	6	-
Richards Bay PM2	10	-	-	-
Mondi Inncoat GmbH	4	-	2	-
Tire Kutsan Paper	1	-	-	-
Mondi Corrugated Swiecie sp Zoo	-	3,764	-	649
Mondi Packaging BZWP sp Zoo	-	2,772	-	438
ECO-INVEST SVK a.s.,	-	864	-	365
Mondi Coating Štětí, a.s.	-	625	-	105
Mondi Grunburg GmbH	-	111	-	-
Mondi Frantschach Gmbh	-	2	-	-
Mondi Bupak, s.r.o.	-	12	-	10
Dipeco AG	-	12	-	(12)
Investing activities (Note 30 c)				
Mondi Finance Limited	-	-	101,184	-
Financing activities (Note 24)				
Mondi Finance Limited	-	1,528		35,294
Total	**652,032**	**98,262**	**93,270**	**53,218**

Operating activities represent sale of paper, pulp and paper products, sale of energy, and provision of services.

In 2017 Group capitalized costs in total amount of EUR 147 thousand invoiced by Mondi Swiecie. These costs are connected with test production of top liner associated with new paper machine PM19 ECO+ project. Group capitalized costs invoiced by Mondi AG related to project manager costs associated with ECO+ project in total amount of EUR 143 thousand and to software in total amount of EUR 74 thousand.

Financing activities represent cashpool related operations. Further details are described in Note 24.

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 expenses have been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

c) Assets from Cash pooling within Mondi Group

As at 31 December 2017, the amount of EUR 144,746 thousand represents the cash pooling balance with Mondi Finance Limited (31 December 2016: EUR 101,184 thousand).

31. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The salaries and remuneration of the Group's bodies were represented by short-term employee benefits as follows:

(EUR'000)	*Year Ended 31 December 2017*	*Year Ended 31 December 2016*
Key Management Personnel (Executive Management)	1,656	2,094
Total	**1,656**	**2,094**

32. COMMITMENTS AND CONTINGENCIES

a) Litigation and Potential Losses

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

b) Emissions Rights

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

The Group has opted to record emissions rights received using the net liability method; it does not record any liability for actual emissions on the basis that the Group has received adequate emissions rights to cover its actual emissions. The Group had an obligation to deliver emissions rights for actually produced emissions. This obligation was satisfied by delivering emissions rights by 30 April 2017 for the 2016 compliance period. The Group received emissions rights in February 2017 for the 2017 compliance period.

c) Bank Guarantees

UniCredit Bank a.s. issued bank guarantees to Slovenská elektrizačná prenosová sústava, a.s. (SEPS, a.s.) in the total amount of EUR 74,168 and EUR 69,091 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 UniCredit Bank.

Deutsche Bank issued a bank guarantee of up to EUR 12,000,000 on behalf of Slovwood Ružomberok, a. s. to secure liabilities resulting from the agreement concluded between Mondi SCP, a.s. and Lesy Slovenskej republiky, š.p. In the event of default, the Company is obliged to pay Deutsche Bank.

UniCredit Bank, a. s. issued a bank guarantee of up to EUR 30,000 on behalf of Slovwood Ružomberok, a. s. to secure the obligations arising from customs procedures. In the event of default, the Company is obliged to pay to UniCredit Bank.

d) Capital expenditures

The value of open investment contracts at 31 December 2017 is EUR 23,401 thousand (2016: EUR 0).

e) Liabilities from operating leases

The Group has entered into fixed-term operating leases of cars, fork-lift trucks and test printers. Contracts relating to the rent of land and non-residential facilities are concluded for a definite and also indefinite period.

Future minimum payments from non-cancellable operating leases are as follows:

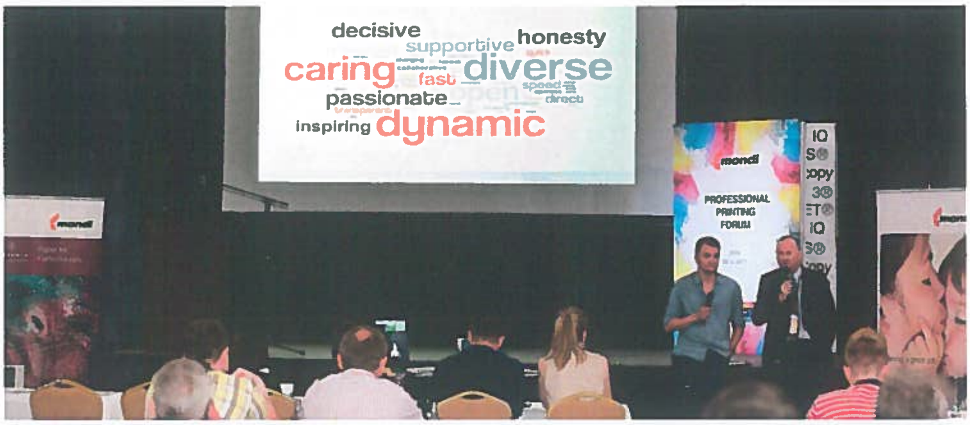
(EUR'000)	*31 December 2017*	*31 December 2016*
Within one year	823	1,488
One to five years	1,920	371
More than five years	-	708
Total	**2,743**	**2,566**

33. POST-BALANCE SHEET EVENTS

After 31 December 2017, there were no significant events that would affect the Group's assets and liabilities reported in these financial statements.

Prepared on:	*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:*
6 March 2018			
Approved on:			
14. 3. 2018	LUCIA SCHOLTZ	PHILIPP SUPPAN	MILOSLAV ČURILLA / BERNHARD PESCHEK

mondi scp



Mondi SCP, a.s.
ANNUAL REPORT 2017

IN TOUCH EVERY DAY

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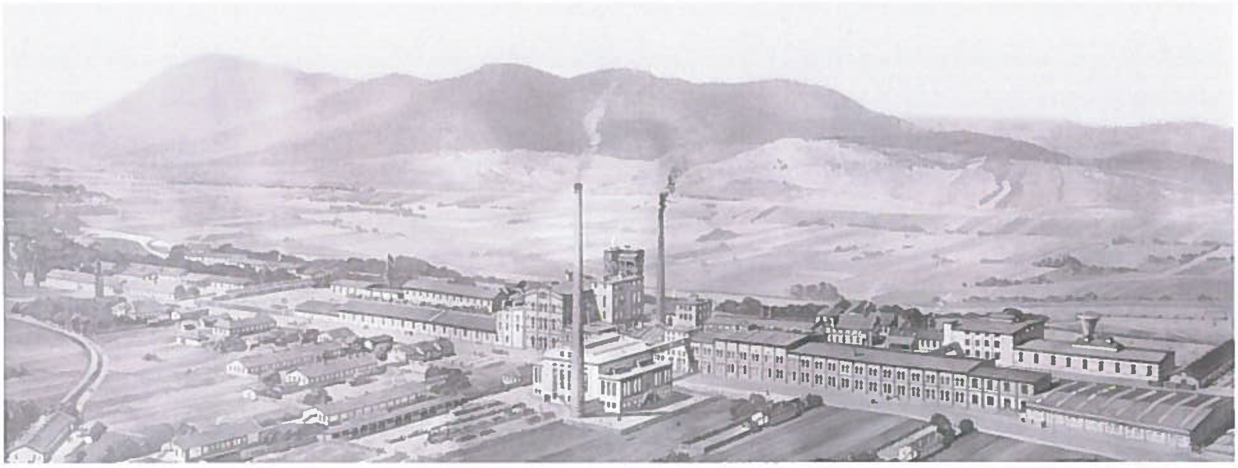

More than 137 years of paper making tradition in Ružomberok

We are Mondi.
IN TOUCH EVERY DAY.

Mondi SCP

Mondi SCP is part of the business unit Uncoated Fine Paper.

The company belongs to Mondi Group, which is a global leader in packaging and paper, employing around 26,000 people in over 30 countries. Its key operations are located in central Europe, Russia, North America and South Africa. Mondi owns 51% shares.

49 % of the shares owns Czech based investment company ECO-INVESTMENT the entrepreneurial activities of which include the investments in the pulp and paper industry, packaging, food industry, machinery, real estate and services.

About us

Mondi SCP is the largest producer of pulp and paper in Slovakia. We are the biggest private employer in the region and, every day, we give a high added value to our domestic renewable raw material – wood which comes from controlled sources such as sustainably - managed forests FSC and PEFC certified.

Conveniently located in Central Europe, we are able to deliver our products to customers on time and in the requested quality. We export almost 95% of the production abroad so millions of people around the world are in touch with Mondi SCP products every day.

Our company regularly invests in the best available technologies and we combine long-term investments with good environmental management and proactive community engagement in order to eliminate our impact on the environment. Through our strong support of the region, we provide support for a permanent and visible change in the environment where we operate. Various prizes - from the Excellent Employer Award, through Environmental Awards, Award for Efficiency, and Supply Chain Management Award – demonstrate the quality of the production processes and final products.

Mondi SCP has a clear vision and all its activities lead to the growing responsibly model with the target to create value for our stakeholders long into the future.

Unfold Your/our True Potencial.
Every Day.

Future Development of the Mill

New containerboard paper machine

At the time of its full-year results 2015, Mondi Group announced that the Boards had approved an investment of 310 mil. EUR in a new 300,000 tonne Containerboard machine at its Ružomberok mill in Slovakia and related pulp mill upgrades, subject to the approval of tax incentives by the European Commission and necessary permitting.

In July 2017, the European Commission approved tax aid of 49 mil. EUR for our mill what is positive news for the mill and region because alongside the state-of-the-art technology, which ensures ecologically friendly production, the investment project will have a positive impact on the region's economic development by creating around 100 new permanent jobs in Mondi SCP. Moreover, a significant number of contractors will be involved during the construction period and also on permanent base after the start-up of the new paper machine. The new paper machine will enable Mondi SCP to diversify its portfolio and significantly strengthen its market position. It will create great conditions for stability and further development of the mill and more than 137 years of paper production in the town.

eco plus
zamestnanosť + rozvoj + stabilita

The realization of the project is still subject to obtaining all necessary permitting. Mondi SCP submitted necessary applications for all relevant permits.

OUR EMPLOYEES ARE KEY TO OUR SUCCESS

We currently have more than 1000 employees in Mondi SCP and several thousand are indirectly employed within the supply chain.

All are qualified and hardworking people that stand behind the success of Mondi SCP. We appreciate our employees and are rightly proud of them. For the people in this region, we are an attractive employer and qualified people are interested in working with us. We are proud to say that our pulp and paper making experts even go to train their colleagues in other Mondi mills around the world.

We appreciate their work and therefore prepared a rich benefits package related to health, culture and sports for our employees and their families. Constant education of our employees, as well as appreciation and rewarding for their performance are commonplace. For the children of our employees, we regularly organise various activities – e.g. Children´s Summer Camp, Children´s Day or Saint Nicholas Party.

We also focus on constant education of our employees having offered more than 18 000 hours of trainings in 2017.

Areas where we invested the most were:

- Leadership trainings – as 7 habits of successful people, Kompas 5.0, Coaching
- Professional trainings – for example Pulp and paper education, Safety trainings, Continuous improvement, Asset management system
- Trainings requested by law – works in height or handling with lifting equipment

Cooperation with Polytechnic School in Ružomberok and Universities in Slovakia

At the beginning of the shool year, Mondi SCP representatives welcomed 29 students from the branches of study Electrotechnician and Mechanic of machinery and equipment who will be able to gain practical experience under the supervision of experienced workers directly in the plant.

Motivation for the students will also be remuneration for the worked hours. There will also be some other additional social benefits and possibility of continuing to work during the summer period within the Students Summer Work scheme.

In addition to this school, we also help students of various universities throughout Slovakia with their bachelor and diploma thesis by providing various professional, technical and environmental research topics. During their studies, they can also complete their compulsory practical training.

Mondi SCP and environment

Environment is one of the key factors for Mondi SCP. Our company's processes are managed by the Integrated Management System (IMS) comprising of the quality, environment and occupational safety&health systems. Every year, our company has to prove that it is eligible to maintain its ISO-compliant status and keep these ISO certificates 9001, 14001 and 18001, as well as the FSC / PEFC certificates.

Over the past few years, Mondi SCP has taken several measures to minimise the impact of production on the environment. We are constantly investing in the best available technology (so-called BAT technologies), we are energy-efficient and produce green energy. We reduced emissions significantly and the water quality achieves excellent parameters.

The latest investments at Mondi SCP include the recovery boiler RB3 which was put into permanent operation in 2016. Executed was also the project of the stand-by combustion of NCG gases and the gas scrubber was put into a trial operation at the WWTP. The long-term low air emission values or, as the case may be, their positive trend, reflect the improved air quality in Ružomberok compared to the previous period.

We regularly support various environmental projects within the program "Mondi SCP, Our Best Neighbour". Since 2011, we regularly support environmentally-focused projects in the region of Lower Liptov with the sum of EUR 50 000. Communities, schools, civic and NGO organizations and the Lower Liptov organizations may apply for their projects.

Every year, we support also the environmental projects of our employees. In 2016, we have had a record of 122 submitted projects out of which we drew 30, which will be supported with the sum of EUR 500 each. Hence, they are also our employees who have the chance to be actively involved in the activities and to beautify their neighbourhood.

Mondi SCP organises also two environmental days each year for the representatives of the Town and communities with which we communicate openly about various environmental topics. And for our employees, we organise ecological days through which we try to improve the quality of the environment of the region we live in.

Mondi SCP and region

Based on the Memorandum of Mutual Cooperation with the Town of Ružomberok, which we regularly conclude with the representatives of the Town, our support doesn't go only to environmental initiatives, but also to various other areas interesting for the region such as:

- sports and healthy living
- leisure time activities of the citizens
- supporting family and educational values
- other projects aimed at a long-term development of the town of Ružomberok

MONDI SCP our best neighbor

Mondi SCP Open Door Day 2017

At the end of June 2017, Mondi SCP prepared three days program for all employees and especially the inhabitants of the region.

It started on Friday with Making a difference day, which is an activity within Mondi Group, when all mills dedicate a whole day to think about how we can work together to reach the goal – Zero Harm. This day is about what each employee can do to improve our collective safety, health and environmental performance.

On Saturday, Mondi SCP welcomed more than 2500 visitors to enjoy all day program for all age categories. Besides many attractions as hand made paper making, paper workshops, demonstration of activities of police and firefighters, games with footballers, funny photobooth,etc., the biggest attraction was definitely opportunity to see the mill from inside. Saturday's program was closed by opening of exhibition called „Papier nielen každodenný“ which our mill prepared with students of Catholic University in Ružomberok.

On Sunday morning, our company and other partners organised first year run – Mondi SCP City Run with many different categories for kids and adults.

Performance driven.
Every Day.

Mondi SCP group key indicators

Mondi SCP, a. s. prepares consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

PULP AND PAPER PRODUCTION DEVELOPMENT

in thousands tons	2017	2016
Pulp	599	594
Paper	930	904

Operating profit was 15% below the prior year level. The year to year drop was driven by higher wood costs, higher energy costs resulting mainly from an increase of gas and electricity prices, higher personnel costs and higher maintenance costs.

Pulp production reached 599 thousand tons in 2017 which is almost equal compared to 2016.

In 2017 the production of paper reached 930 thousand tons which is a 3% increase compared to 2016. The main reason for the increase was the acquisition of Mondi Neusiedler in April 2016 (means Neusiedler was reported only for 9 months in 2016).

The development of sales prices was positive driven by a good demand situation but also by the cost pressure coming from increasing raw material costs.

The excellent cost position enabled the Group to profit from closed production capacities in the continuously declining market and can be considered as success and proof of a strong position on the paper market.

In the future we will continue bringing excellent products to the market, having a low cost production structure, right people on board working in safe environment and bringing innovative ideas into life. Mondi SCP does not have own research and development centre. R&D is driven by Mondi group.

Mondi SCP did not acquire own treasury shares, temporary certificates, ownership interests and shares, and temporary certificates and ownership interests of a parent accounting entity.

Main risk identified by Mondi SCP is the declining market for office paper. Additional risks are cost increases in major input costs like for wood and a lack of a skilled workforce in Slovakia.

Prognosis for the future development are rather positive. Mondi SCP plans to invest in a 300,000 tons Containerboard machine in Ruzomberok (approval is subject to necessary permitting). This investment would create around 100 new permanent jobs.

BASIC FINANCIAL INDICATORS (IFRS)	Mondi SCP		Mondi SCP Group	
in thousands of EUR	2017	2016	2017	2016*
Earnings from sales and services and other earnings	516 718	523 337	807 350	763 542
Net profit	72 267	84 204	69 588	89 949
Total assets	**716 497**	**684 117**	**837 643**	**804 904**
Non-current assets	472 685	483 658	494 437	505 910
Current assets	243 812	200 459	343 206	298 994
Total liabilities	**716 497**	**684 117**	**837 643**	**804 904**
Total payables	170 951	170 841	300 751	304 654
Equity	545 546	513 276	536 892	500 250
Average number of employees	1 042	1 001	1 808	1 745

* Mondi Neusiedler GmbH and Ybbstaler Zellstoff GmbH included starting from 04/2016

In 2017 Mondi SCP group acquired Slovpaper Recycling s.r.o. a recycled paper trading company. This acquisition impacted the financial indicators in 2017.

Non-current assets primarily decreased as a result of accumulated depreciation, which was higher than capital expenditures, impact of above mentioned acquisition was immaterial.

The increase in current assets was the result of the accumulation of cash and cash equivalents driven by the strong free cash flow in 2017. We registered an increase in inventories.

Mondi SCP Group duly fulfilled its obligations towards all its creditors in 2017.

The growth of the shareholder´s equity is attributable to the net profit of EUR 70 million while the dividend payment for the year 2016 amounted to EUR 40 million. As of December 31, 2017, the share of equity in the total assets reached the level of 64% underscoring the stability and financial strength of Mondi SCP Group.

Mondi SCP does not have a branch office in a foreign country.

The management of the company will decide on 2017 profit distribution at the Annual General Meeting.

Subsidiaries of Mondi SCP

The subsidiaries - Obaly S O L O, s. r. o., SLOVWOOD Ružomberok, a. s., Strážna služba VLA - STA, s. r. o., Slovpaper Recycling s.r.o, are under obligation to prepare the independent financial statements in accordance with Slovak Accounting Standards (SAS).

Daughter companies Mondi Neusiedler, Gmbh and Ybbstaller Zellstoff, GmbH, are under the obligation to prepare the independent financial statements in accordance with Austrian Accounting Standards.

The differences between IFRS and SAS or Austrian Accounting Standards are immaterial for the comments describing the development of individual companies.

As well in 2017, the subsidiaries of Mondi SCP Group were closely connected with their parent company since the substantial part of their production and performance was realised directly in the parent company. Mondi SCP Group thus used the competitive advantage of this connection to improve the results of the whole Group.

Obaly SOLO, s.r.o.

Obaly S O L O, s. r. o., is a subsidiary of Mondi SCP, a. s. and its core business activity is production of printed and extruded packaging materials. Its activities were carried out with full support and in cooperation with the parent company. A substantial part of the production is carried out in the premises of the parent company and the company fully complies with the safety, as well as environmental standards set out by the parent company.

SLOVWOOD Ružomberok, a.s.

SLOVWOOD Ružomberok, a. s., is a fully consolidated subsidiary of Mondi SCP, a. s. It is the largest trading company for wood and biomass on the Slovak market. It provides its clients with professional and competitive solutions while maintaining ethical values and sustainable development of the forests where the company focuses on increasing the share of the certified raw materials from the sustainable forestry. All activities of the company are carried out with full support and cooperation with the parent company Mondi SCP, a. s.

SLOVWOOD Ružomberok, a. s., ensures supplies of wood used for the production of pulp from both domestic and foreign markets.

In 2017, SLOVWOOD Ružomberok, a. s. purchased 2,0 million m^3 of wood which is slightly higher volume as in 2016. Almost the entire volume of the purchased wood was delivered to Mondi SCP, a. s. while the largest share was hardwood pulpwood.

Mondi NEUSIEDLER GmbH

In 2016 Mondi SCP group acquired 100% stake of daughter company Mondi Neusiedler GmbH with the seat in Hausmening, Austria. The main production segment is copy paper of higher quality, colour paper for printing machines and professional print.

Ybbstaler Zellstoff GmbH

In 2016 Mondi SCP group acquired 100% stake of daughter company Ybbstaler Zellstoff GmbH with the seat in Kematen, Austria. The company produce the pulp mainly for the sister company Mondi Neusiedler GmbH.

Slovpaper Recycling s.r.o.

In 2017 Mondi SCP group acquired 100% stake of daughter company Slovpaper Recycling s.r.o., with the seat in Nove Zamky, Slovakia. The company is collecting and trading recycled paper. Slovpaper Recycling s.r.o has a share in 3 joint ventures.

The Events of Particular Importance that Occurred after the End of the Accounting Period

After December 31, 2017, to the date of authorization of the annual report no significant events occured which would affect the group´s assets and liabilities recognised in these financial statements.

In Ružomberok, March 18, 2018

Mondi SCP, a.s. Ružomberok
Obaly SOLO, s.r.o.
Slovwood Ružomberok a.s.
Mondi NEUSIEDLER GmbH
Ybbstaler Zellstoff GmbH
Slovpaper recycling s.r.o.

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Slovenská republika

mondi scp