

**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 2019**

**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 2019**

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## Independent Auditor's Report

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

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### 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 2019, 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 2019;
- the consolidated statement of profit or loss and other 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.

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### 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.

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### 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.



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 2019 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.

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### 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.

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

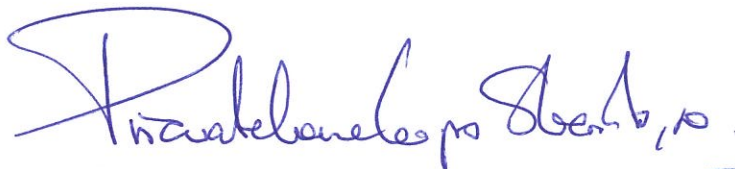
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not 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.



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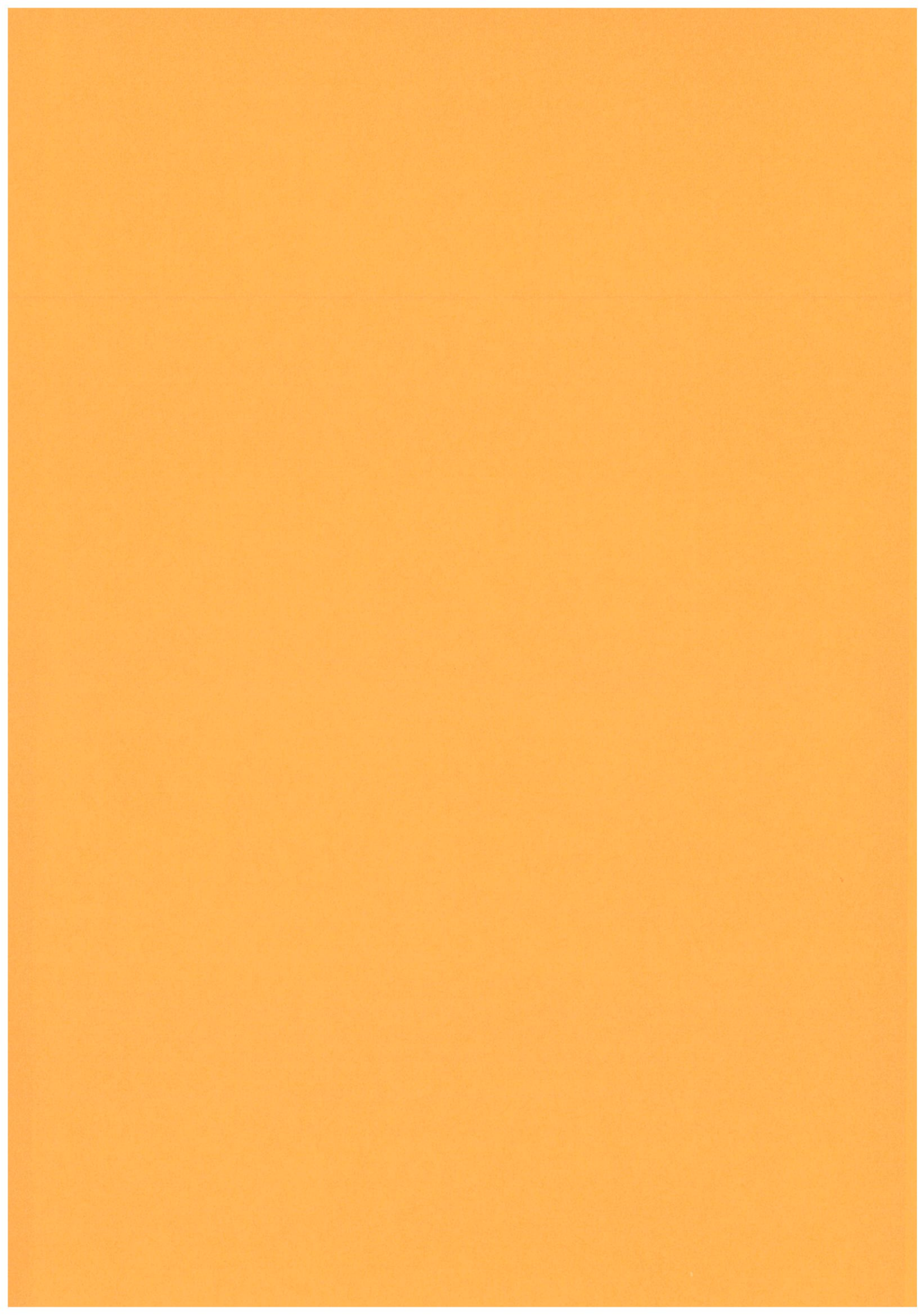
21 April 2020  
Bratislava, Slovakia



Ing. Eva Hupková, FCCA  
Licence SKAU No. 672

Note

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 OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
for the year ended 31 December 2019

<i>(EUR'000)</i>	Note	Year Ended 31 December 2019	Year Ended 31 December 2018
<b>Continuing operations</b>			
Revenues	5	776,366	829,767
Raw materials and consumables	7	(489,789)	(525,385)
Transportation and selling costs	6	(48,186)	(50,180)
Changes in inventories of finished goods and work in progress		(5,417)	7,474
Other services	8	(40,306)	(37,676)
Personnel expenses	9	(88,727)	(83,363)
Depreciation, amortisation expenses and impairment	13,14,27	(53,565)	(55,953)
Impairment of non-current assets	14	(39,028)	-
Other operating expenses and income	10	62,458	13,537
<b>Operating profit</b>		<b>73,806</b>	<b>98,221</b>
Finance income	11	417	25
Finance costs	11	(2,326)	(2,801)
Share of profit of joint ventures accounted for using the equity method	16	(71)	(234)
<b>Profit before income tax</b>		<b>71,826</b>	<b>95,211</b>
Income tax expense	12	(5,430)	(22,599)
<b>Net profit for the reporting period</b>		<b>66,396</b>	<b>72,612</b>
<b>Other comprehensive income</b>			
<i>Items reclassified to profit or loss:</i>			
Gains from revaluation of non-current financial assets	29	-	(402)
Net change in hedging derivatives, net of tax		2	86
Total items reclassified to profit or loss		2	(316)
<i>Items not reclassified to profit or loss:</i>			
Gains/(losses) from revaluation of defined benefit plans, net of tax	22	(22,223)	(16,032)
Total items not reclassified to profit or loss:		(22,223)	(16,032)
<b>Other comprehensive income/(expenses), net of tax</b>		<b>(22,223)</b>	<b>(16,348)</b>
<b>Comprehensive income for the year</b>		<b>44,175</b>	<b>56,264</b>
<b>Net profit for the reporting period attributable to:</b>		<b>66,396</b>	<b>72,612</b>
- Non-controlling interests		32	30
- Holders of the parent company's shares		66,364	72,582
<b>Comprehensive income for the year attributable to:</b>		<b>44,175</b>	<b>56,264</b>
- Non-controlling interests		30	33
- Holders of the parent company's shares		44,145	56,231

**Mondi SCP, a. s.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**as at 31 December 2019**

<i>(EUR'000)</i>	<i>Note</i>	<i>31 December 2019</i>	<i>31 December 2018 (Restated)</i>	<i>1 January 2018 (Restated)</i>
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	13	1,129	1,200	1,095
Property, plant and equipment	14	641,343	523,605	487,795
Non-current assets with a right to use	27	31,228	3,294	5,589
Investments in Joint Ventures accounted for using the equity method	16	447	579	813
Financial assets accounting using FVTPL	29	4,182	3,772	3,937
Deferred tax assets	24	479	504	388
Trade receivables and other receivables	18	-	207	410
		<b>678,808</b>	<b>533,161</b>	<b>500,027</b>
<b>Current assets</b>				
Inventories	17	102,037	97,235	79,014
Trade and other receivables	18	93,790	108,514	118,636
Current tax assets		2,582	29	75
Cash and cash equivalents	19	589	1,678	735
Assets from Cash pooling within Mondi Group	30	54,390	144,378	144,746
Derivative financial instruments		-	7	-
		<b>253,388</b>	<b>351,841</b>	<b>343,206</b>
<b>TOTAL ASSETS</b>		<b>932,196</b>	<b>885,002</b>	<b>843,233</b>
<b>Equity and liabilities</b>				
<b>Capital and reserves</b>				
Share capital	20	153,855	153,855	153,855
Other reserves	21	84,022	75,952	92,303
Retained earnings		368,807	332,732	289,748
Equity attributable to the parent company's owners		<b>606,684</b>	<b>562,539</b>	<b>535,906</b>
Non-controlling interests		290	260	227
<b>TOTAL EQUITY</b>		<b>606,974</b>	<b>562,799</b>	<b>536,133</b>
<b>Non-current liabilities</b>				
Loans and credits	23	33,886	33,041	-
Leasing commitments	27	23,055	926	2,965
Employee benefit plan obligations	22	35,721	54,189	39,539
Deferred tax liabilities	24	33,551	37,944	36,513
Provisions	25	2,459	2,370	1,903
Other non-current liabilities	26	5,225	23,183	36,253
		<b>133,897</b>	<b>151,653</b>	<b>117,162</b>
<b>Current liabilities</b>				
Loans and credits	23	14,982	10,768	42,566
Leasing commitments	27	5,460	2,811	3,598
Trade and other payables	26	170,233	151,638	133,445
Current tax liabilities		-	3,256	8,124
Provisions	25	637	2,057	2,054
Derivative financial instruments		13	20	151
		<b>191,325</b>	<b>170,550</b>	<b>189,938</b>
<b>TOTAL LIABILITIES</b>		<b>325,222</b>	<b>322,203</b>	<b>307,100</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>932,196</b>	<b>885,002</b>	<b>843,233</b>



**Mondi SCP, a. s.**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**for the year ended 31 December 2019**

	Share capital	Other reserves	Retained earnings	Total equity attributable to the parent company's owners	Non-controlling interest	Total
Balance as at 1 January 2018	153,855	77,732	304,319	535,906	227	536,133
Restatement	-	14,571	(14,571)	-	-	-
Balance as at 1 January 2018 (restated)*	153,855	92,303	289,748	535,906	227	536,133
Profit for the current year	-	-	72,582	72,582	30	72,612
Other comprehensive income	-	-	-	-	-	-
Actuarial loss on provisions from employee benefits program	-	(16,035)	-	(16,035)	3	(16,032)
Fund from the revaluation of long-term financial assets (reclassification)	-	(402)	-	(402)	-	(402)
Revaluation of hedging derivatives	-	86	-	86	-	86
Total comprehensive income after tax for the year	-	(16,351)	72,582	56,231	33	56,264
Dividends paid	-	-	(30,000)	(30,000)	-	(30,000)
Fund from the revaluation of long-term financial assets (reclassification)	-	-	402	402	-	402
Balance as at 31 December 2018	153,855	75,952	332,732	562,539	260	562,799
Profit for the current year	-	-	66,364	66,364	32	66,396
Other comprehensive income	-	-	-	-	-	-
Actuarial loss on provisions from employee benefits program	-	(22,221)	-	(22,221)	(2)	(22,223)
Transfer of actuarial loss from restructuring of the pension fund	-	30,289	(30,289)	-	-	-
Revaluation of hedging derivatives	-	2	-	2	-	2
Total comprehensive income after tax for the year	-	8,070	36,075	44,145	30	44,175
Balance as at 31 December 2019	153,855	84,022	368,807	606,684	290	606,974

The accompanying notes from 1 to 33 are an integral part of these consolidated financial statements

**Mondi SCP, a. s.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**for the year ended 31 December 2019**

<i>(EUR'000)</i>	Note	Year Ended 31 December 2019	Year Ended 31 December 2018
<b>Operating activities</b>			
Operating profit		71,826	95,211
Non-cash transactions			
- Depreciation, amortisation	13,14,27	53,565	55,953
- Impairment of non-current assets	14	39,028	-
- Loss/(profit) from the sale of non-current assets	10, 28	(542)	1
- Financial liability revaluation	10	(17,764)	(13,201)
- Impairment of financial assets		(410)	165
- Interest costs		2,326	2,636
- Interest income		(7)	(17)
- Dividends received from joint ventures		71	234
- Revenues related to the restructuring of the pension fund	10,22	(40,799)	-
- Other non-cash transactions		(2,222)	(628)
<b>Operating cash flows before movements in working capital</b>		<b>105,072</b>	<b>140,346</b>
Effect of movements in working capital			
- Decrease/(increase) of inventories	17	(4,802)	(19,813)
- Decrease/(increase) of receivables	18	14,930	10,089
- Decrease/(increase) of payables	26	(8,607)	8,066
<b>Cash flows from operating activities before taxation and interest</b>		<b>106,593</b>	<b>138,688</b>
Interest paid		(1,285)	(1,139)
Income tax expense paid		(15,554)	(25,730)
<b>Cash flows from operating activities, net</b>		<b>89,754</b>	<b>111,819</b>
<b>Investing activities</b>			
Payments for the purchase of property, plant and equipment and intangible assets	13,14,27	(180,517)	(78,486)
Proceeds from sales of tangible fixed assets		1,059	245
Proceeds from sales of financial investments		85	-
Interest received		7	17
Decrease/(increase) in Assets from cash pooling within Mondi Group	30	89,988	368
<b>Cash flows from investing activities, net</b>		<b>(89,378)</b>	<b>(77,856)</b>
<b>Financial activities</b>			
Loan repayments	23	-	-
Proceeds from loans	23	5,058	1,244
Payments of lease obligations	27	(6,441)	(4,189)
Share-based payments		(82)	(75)
Dividends paid	21	-	(30,000)
<b>Cash flows from financial activities, net</b>		<b>(1,465)</b>	<b>(33,020)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1,089)</b>	<b>943</b>
Cash and cash equivalents at the beginning of the year	19	1,678	735
Foreign exchange gains/(losses) from cash and cash equivalents		-	-
<b>Cash and cash equivalents at the end of the year</b>	<b>19</b>	<b>589</b>	<b>1,678</b>

The accompanying notes from 1 to 33 are an integral part of these consolidated financial statements

**1. GENERAL INFORMATION**

**a) Essential Information on the Company**

<b>Business name and seat</b>	Mondi SCP, a. s. Tatranská cesta 3 034 17 Ružomberok
<b>Date of establishment</b>	7 September 1995
<b>Date of incorporation (according to the Commercial Register)</b>	1 October 1995
<b>Business activity of the parent company and its consolidated subsidiaries and joint ventures (hereinafter only the "Group")</b>	<ul style="list-style-type: none"> <li>- Production of pulp</li> <li>- Production of paper and cardboard products;</li> <li>- Saw production, wood waterproofing;</li> <li>- Production of wood wrappings;</li> <li>- Production of corrugated paper, cardboard and cardboard wrapping materials;</li> <li>- Manufacture of printing templates;</li> <li>- Other printing industry services, graphic designs;</li> <li>- Locksmithing, metalworking;</li> <li>- Wiring;</li> <li>- Operating of railway and transport by rail, and related services performed by a rail transport operator;</li> <li>- Handling waste in the scope of waste treatment;</li> <li>- Designs of electric appliances;</li> <li>- Wholesale with timber;</li> <li>- Mediation of wood trade;</li> <li>- Waste transport and disposal and</li> <li>- Other.</li> </ul>

**b) Employees**

	<i>Year Ended</i> <b>31 December 2019</b>	<i>Year Ended</i> <b>31 December 2018</b>
<b>Average number of employees</b>	<b>1,952</b>	<b>1,883</b>
<i>of which: managers</i>	<i>30</i>	<i>30</i>

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**c) Approval of the 2018 Consolidated Financial Statements**

The 2018 consolidated financial statements of Mondi SCP, a.s. were approved at the General Shareholders' Meeting held on 15 May 2019 and filed subsequently with the Court Register. The profit for 2018 was transferred to the retained earnings based on the Shareholders' resolution. No dividend was declared nor paid in 2019.

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 2019:

<i>Body</i>	<i>Function</i>	<i>Name</i>
Boards of Directors	Chairman	Miloslav Čurilla
	Deputy Chairman	Peter Orisich
	Member	Bernhard Peschek
	Member	Miroslav Vajs
	Member	Gabriele Schalleger
Supervisory Board	Chairman	Peter Josef Oswald
	Deputy Chairman	Milan Fiľo
	Member	Ján Krasuľa
Executive Management	President	Bernhard Peschek

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Compared to 2018, there were no changes in the structure of the members of the Company.

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

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

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During years ending 31 December 2019 and 31 December 2018 there was no change in the structure of shareholders and their share in the share capital.

**f) Consolidated Financial Statements for Mondi Group**

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.

Since 2007, the Mondi Group had two separate legal parent entities, Mondi Limited and Mondi plc, which operated under a dual listed company (DLC) structure. The substance of the DLC structure was such that Mondi Limited and its subsidiaries, and Mondi plc and its subsidiaries (together – "Mondi Group"), operated together as a single economic entity through a sharing agreement, with neither parent entity assuming a dominant role. Accordingly, Mondi Limited and Mondi plc were reported on a combined and consolidated basis as a single reporting entity.

**Mondi SCP, a. s.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2019**

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On 9 May 2019, the Mondi Group shareholders approved the simplification of the corporate structure from the dual listed company (DLC) to a simple holding company structure under Mondi plc. With effect from 26 July 2019, Mondi plc. became the owner of all Mondi Limited ordinary shares when other related steps of the DCL agreement were terminated. After simplification, Mondi Group reports on a consolidated basis.

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. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

### **Standards, interpretations and revised standards effective for the first time for the year ending 31 December 2019**

**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. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or reexamine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The Company has assessed the impact of the interpretation on its financial statements as insignificant.

**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). The amendments enable measurement at amortised cost of certain loans and debt securities that can be prepaid at an amount below amortised cost, for example at fair value or at an amount that includes a reasonable compensation payable to the borrower equal to present value of an effect of increase in market interest rate over the remaining life of the instrument. In addition, the text added to the standard's basis for conclusion reconfirms existing guidance in IFRS 9 that modifications or exchanges of certain financial liabilities measured at amortised cost that do not result in the derecognition will result in a gain or loss in profit or loss. Reporting entities will thus in most cases not be able to revise effective interest rate for the remaining life of the loan in order to avoid an impact on profit or loss upon a loan modification. The Company has assessed the impact of the interpretation on its financial statements as insignificant.

**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). The amendments clarify that reporting entities should apply IFRS 9 to long-term loans, preference shares and similar instruments that form part of a net investment in an equity method investee before they can reduce such carrying value by a share of loss of the investee that exceeds the amount of investor's interest in ordinary shares. The Company has assessed the impact of the interpretation on its financial statements as insignificant.

**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). The narrow scope amendments impact four standards. IFRS 3 was clarified that an acquirer should remeasure its previously held interest in a joint operation when it obtains control of the business. Conversely, IFRS 11 now explicitly explains that the investor should not remeasure its previously held interest when it obtains joint control of a joint operation, similarly to the existing requirements when an associate becomes a joint venture and vice versa. The amended IAS 12 explains that an entity recognises all income tax consequences of dividends where it has recognised the transactions or events that generated the related distributable profits, eg in profit or loss or in other comprehensive income. It is now clear that this requirement applies in all circumstances as long as payments on financial

instruments classified as equity are distributions of profits, and not only in cases when the tax consequences are a result of different tax rates for distributed and undistributed profits. The revised IAS 23 now includes explicit guidance that the borrowings obtained specifically for funding a specified asset are excluded from the pool of general borrowings costs eligible for capitalisation only until the specific asset is substantially complete. The Company has assessed the impact of the interpretation on its financial statements as insignificant.

***Plan Amendment, Curtailment or Settlement - Amendments to IAS 19*** (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019). The amendments specify how to determine pension expenses when changes to a defined benefit pension plan occur. When a change to a plan—an amendment, curtailment or settlement—takes place, IAS 19 requires to remeasure net defined benefit liability or asset. The amendments require to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Before the amendments, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements. The Company has assessed the impact of the interpretation on its financial statements as insignificant.

**Standards, interpretations, and revised standards effective for the first time for the year ending 31 December 2019 and which were not early adopted by the Group**

***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). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Company is currently assessing the impact of the amendments on its financial statements.

***IFRS 17 "Insurance Contracts"*** (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes lossmaking, an entity will be recognising the loss immediately. The Company is currently assessing the impact of the amendments on its financial statements.

**Amendments to the Conceptual Framework for Financial Reporting** (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Company is currently assessing the impact of the amendments on its financial statements.

**Definition of a business – Amendments to IFRS 3** (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020). The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if there are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The Company is currently assessing the impact of the amendments on its financial statements.

**Definition of materiality – Amendments to IAS 1 and IAS 8** (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Company is currently assessing the impact of the amendments on its financial statements.

**Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7** (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020). The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBORs'). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Cash flow hedge accounting under both IFRS 9 and IAS 39 requires the future hedged cash flows to be 'highly probable'. Where these cash flows depend on an IBOR, the relief provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Both IAS 39 and IFRS 9 require a forward-looking prospective assessment in order to apply hedge accounting. While cash flows under IBOR and IBOR replacement rates are currently expected to be broadly equivalent, which minimises any ineffectiveness, this might no longer be the case as the date of the reform gets closer. Under the amendments, an entity may assume that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based, is not altered by IBOR reform. IBOR reform might also cause a hedge to fall outside the 80–125% range required by retrospective test under IAS 39. IAS 39 has therefore been amended to provide an exception to the retrospective effectiveness test such that a hedge is not discontinued during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside this range. However, the other requirements for hedge accounting, including the prospective assessment, would still need to be met. In some hedges, the hedged item or hedged risk is a non-contractually specified IBOR risk component. In order for hedge accounting to be applied, both IFRS 9 and IAS 39 require the designated risk component to be separately identifiable and reliably measurable. Under the amendments, the risk component only needs to be separately identifiable at initial hedge designation and not on an ongoing basis. In the context of a macro hedge, where an entity frequently resets a hedging relationship, the relief applies from when a hedged item was initially designated within that hedging relationship. Any hedge ineffectiveness will continue to be recorded in profit or loss under both IAS 39 and IFRS 9. The amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present. The amendments

The accompanying notes from 1 to 33 are an integral part of these consolidated financial statements



require entities to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties, including the nominal amount of hedging instruments to which the reliefs are applied, any significant assumptions or judgements made in applying the reliefs, and qualitative disclosures about how the entity is impacted by IBOR reform and is managing the transition process. The Company is currently assessing the impact of the amendments on its financial statements.

***Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).*** These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. The amendment does not regulate the amount or timing of the recognition of assets, income or expenses, or the information that entities disclose about those items. EU has not yet endorsed this amendment.

### **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 2019 to 31 December 2019 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 profit or loss and other 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.

#### *Acquisition of subsidiaries under common control*

The acquisition of subsidiaries (being businesses 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. The difference between the cost of the business combination and the value of the Group's interest in the carrying amount of the identifiable assets, liabilities and contingent liabilities recognized in the acquired entity is recognized directly in equity under the line "Other equity".

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 profit or loss and other 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 profit or loss and other comprehensive income.

A list of consolidated joint ventures in the Group can be found in Note 16.

*(iii) Profit/loss on disposal of subsidiaries and joint ventures*

Gain or loss on sale of shares in subsidiaries is determined as the difference between subsidiary's net assets 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 profit or loss and other 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 profit or loss and other 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 recognized in the Group's statement of financial position when the Group becomes a contractual party to the financial instrument.

Financial assets and financial liabilities are initially recognized at fair value.

*Fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is

price in an active market. An active market is market in which transactions for the asset or liability take place with sufficient frequency and sufficient volume to provide pricing information on an ongoing basis. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is cost that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortized cost is the amount for which a financial instrument was recognized on initial recognition less any principal repayments plus accrued interest and for financial assets less any write-down for expected credit losses ("ECL"). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

*The effective interest method* is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

**Initial recognition of financial instruments.** All financial instruments are initially recognized at fair value adjusted for transaction costs. The fair value at initial recognition is best demonstrated by the transaction price. A gain or loss on initial recognition is recognized only when there is a difference between fair value and transaction price that can be evidenced by other current market transactions of the same instrument or valuation technique whose inputs include only observable market data.

**Financial assets - classification and subsequent valuation - valuation categories.** The Group classifies amortized cost financial assets at fair value through profit or loss ("FVTPL"). The classification and subsequent measurement of financial assets depends on: (i) the Group's business model of related asset management and (ii) properties of assets cash flows.

**Financial assets - classification and subsequent valuation - business model.** The business model reflects the way the Group manages assets for the purpose of generating cash flows, i.e. whether it is the purpose of the Group to: (i) exclusively collect contractual cash flows from these assets (held for the purpose of collecting contractual cash flows), or (ii) collecting contractual cash flows from the sale of assets (held for the purpose of collecting contractual cash flows from selling these assets) or if none of the items (i) and (ii) is applicable, financial assets are classified as part of an "other" business model and measured at fair value through profit or loss. („FVTPL“).

The business model is designed for an asset group (at the portfolio level) based on all relevant evidence of the Group's operations to achieve the objective set for the portfolio available on the valuation date. The factors considered by the Group when determining a business model include the purpose and composition of the portfolio and past experience of how cash flows for the relevant assets have been collected. The business model used by the Group is intended to hold financial assets to maturity and to collect contractual cash flows.

**Financial assets - classification and subsequent valuation - cash flow characteristics.** If the business model is intended to hold assets to collect contractual cash flows or to hold financial assets to collect cash flows and sales, the Group assesses whether cash flows represent solely principal and payments of interest ("SPPI"). In making this assessment, the Group assesses whether the contractual cash flows are consistent with the underlying loan arrangements, i. j. interest includes only taking into account credit risk, time value of money, other underlying credit risks and profit margins.

If the terms and conditions impose a risk or volatility exposure that is inconsistent with the underlying lending arrangements, the financial asset is classified and measured on an FVTPL basis. The SPPI assessment is carried out on initial recognition of the asset and is not subsequently reviewed.

The Group holds only trade receivables, cashpooling assets and cash and cash equivalents. The characteristics of these financial assets are short-term and contractual cash flows represent the principal and interest payments that reflect the time value of money and are therefore valued by the Group at amortized cost.

**Financial assets - reclassification.** Financial instruments are reclassified only when the business model changes to portfolio management as a whole. This reclassification is applied prospectively and is applicable from the beginning of the first reporting period following the change of business model. The Group did not change its business model during the current period and did not perform any reclassifications

**Impairment of Financial Assets - Allowance for Expected Credit Losses („ECL“).**

The Group applies a simplified ECL model under IFRS 9 to trade receivables to assess impairment of receivables. ECL is defined as the present value of all impairments during the expected life of the receivable. The Group designates ECL, based on historical experience of impairment of trade receivables, adjusted for information about current economic conditions and reasonable estimates of future economic conditions. In the initial recognition of a receivable, credit losses expected by the total useful life of the receivable are recognized as a provision.

**Financial assets - depreciation.** The Group will write off all or part of the financial assets when the Group has used all the practical options for recovering those assets and there is no reasonable expectation of recovering those assets.

**Financial assets - derecognition.** The Group ceases to recognize financial assets when (i) the assets have been repaid or the right to cash flows from those assets has expired or (ii) the Group has transferred the rights to cash flows from the financial asset to another person.

#### **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 lives.

*(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 (p).

*(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.

Gains or losses arising on the disposal or liquidation of an item of non-current tangible assets are fully reflected in the statement of profit or loss and other 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 profit or loss and other 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) Trade and other receivables**

Trade receivables are initially measured at fair value and are subsequently recognised at the carrying amount obtained using the effective interest rate method, while their value is reduced by a provision. 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.

Receivables measured at amortized cost are presented in the statement of financial position of trade receivables and other receivables less a provision. The Group applies a simplified IFRS 9 approach to trade receivables towards third parties. j. measures ECL using lifetime expected losses.

Estimated recoverable amounts are based on historical experience, taking into account current economic conditions and reasonable and demonstrable forecasts of future economic conditions.

**k) 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.

**l) 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.

**m) 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 profit or loss and other 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 profit or loss and other comprehensive income.

**n) Dividends**

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

**o) 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.

**p) Leases**

Where there is a right to manage the use of an identified asset for more than one year, a right of use that represents the Group's right to use the underlying leased asset and a lease obligation that represents the company's obligation to pay the lease payments is recognized in the Group's balance sheet at the beginning lease.

An asset with a right to use is initially measured at cost and includes the amount of the initial measurement of the lease obligation, any lease payments made before the start date, and an estimate of the costs incurred by the lessee to dismantle and remove the asset and to restore the location where it is located or restore the asset to the condition required by the lease conditions. Subsequently, the right to use assets is measured at cost less accumulated depreciation and accumulated revaluation losses adjusted for revaluation of the lease obligation as a result of a reassessment of the lease, a change in the extent of the lease or a change in the lease payment.

Depreciation of an asset with a right to use is presented in the statement of profit or loss and other comprehensive income from the beginning of the lease term to either the end of the asset's life or the end of the lease period, whichever comes first. The lease period includes an option to extend the lease where it is reasonably certain that the option will be exercised. Where a lease also includes a call option, the asset is depreciated over its useful life if it is reasonably certain that the call option will be exercised. Assets with a right of use are depreciated as follows:

Buildings	12-40 years
Machinery and equipment	4-20 years
Vehicles	4-12 years
Inventory	4-12 years

A lease obligation is measured at the present value of future lease payments net of rental discounts, including variable payments that depend on the index or rate and the call option price, if it is sufficiently certain that the option will be exercised and the prices of the early termination of the lease if the lease term reflects the exercise of that option, discounted using the lease interest rate that is easy to determine. If it is not easy to determine, the incremental interest rate is applied to the lessor.

The minimum lease payments are divided into the financial expense and the repayment of the liability. The financial expense is spread over the lease term so that a constant interest rate is recognized in respect of the residual amount of the liability. The interest component of the finance lease payments is recognized in the statement of profit or loss and other comprehensive income during the lease term using the effective interest rate method.

The carrying amount of the liability is revalued to reflect the reassessment of the lease, the change in the extent of the lease or the change in the lease payment.

Lease payments with a lease term of up to one year or small lease payments up to the value of total installments in the present value of no more than EUR 10 thousand are charged on a straight-line basis over the lease term. Lease costs are presented as other services in the statement of profit or loss and other comprehensive income.

**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 profit or loss and other 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 profit or loss and other 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 Insurance and 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 profit or loss and other 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**

***Revenue from contracts with customers***

*(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.

***Other revenues***

*(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) 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 profit or loss and other 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 profit or loss and other 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 profit or loss and other 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 recognized for taxable temporary differences which are a result of investments in subsidiaries and associates and for shares in joint ventures, except for cases when the Group controls the release of the temporary difference, while it is probable that the temporary difference will not be realized in near 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:

###### *(i) 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 estimates will, by definition, rarely equal the related actual results. Estimates and assumptions that have a significant 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 3 h) 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 5,120 thousand (2018: EUR: 14,815 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 4,190 thousand (2018: EUR 4,254 thousand).

###### *(ii) 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, retirement age, mortality and average life expectancy. Further details are described in Note 22. Assumptions used are based on Austrian indicators since employee benefit plans are used by Austrian subsidiaries.

On 13 December 2018, an Act was adopted amending the Social Security Act in Austria. It is effective from 1 January 2020 and defines that the obligations of the retirement health care plan are to be assumed by the Republic of Austria. The act allowed the Group to set up an independent deposit, to which it could contribute the assets of a retirement health care plan, to the benefits for plan participants. Based on further review and clarification of the Act and the necessary implementation steps, the Group decided to use this option in 2019 and to apply an accounting policy as described in Note 22.

###### *(iii) 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 0.4%. Further details are described in Note 26.

##### **b) Correction of prior period errors**

###### *(i) Correction of an error in the revaluation of the financial liability associated with the acquisition of an investment in Austrian subsidiaries*

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, from Mondi AG and Neusiedler Holdings BV as part of one transaction. The purchase price comprised of fixed payment as at the date

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of acquisition and variable part based on the expected EBITDAs of acquired companies for the period of 5 years after the acquisition date.

The company determined the amount of the liability arising from the purchase of Austrian company Mondi Neusiedler GmbH, and Ybbstaller Zellstoff GmbH depending on the results of operations of acquired subsidiaries taking into account the payment of dividends and adjusted to present value.

The company performed the first revaluation of the contingent consideration at the end of financial year 2016 based on the available budgets and expected financial performance of the subsidiaries. The increase in the liability was recognized in equity (other reserves).

The revaluation of the liability should have been recognized in the Consolidated statement of comprehensive income as a result of the events after the acquisition date. The overall impact on corporate income tax of this restatement is considered to be immaterial.

The error has been corrected in accordance with IAS 8, paragraph 42, by restating each of the affected financial statement line items for the prior periods as follows:

<i>Separate Statement of Financial Position (extrakt) (EUR'000)</i>	<i>Year ended 31 December 2018 (original)</i>	<i>restatement</i>	<i>Year ended 31 December 2018 (restated)</i>
<b>Equity and Liabilities</b>			
Other reserves	61,381	14,571	75,952
Retained earnings	347,303	(14,571)	332,732
<b>Consolidated Statement of Financial Position (extrakt) (EUR'000)</b>	<b>1 January 2018 (original)</b>	<b>restatement</b>	<b>1 January 2018 (restated)</b>
<b>Equity and liabilities</b>			
Other reserves	77,732	14,571	92,303
Retained earnings	304,319	(14,571)	289,748

## 5. REVENUES

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

<i>(EUR'000)</i>	<i>Year Ended 31 December 2019</i>	<i>Year Ended 31 December 2018</i>
<b>Revenue from contracts with customers</b>		
Revenues from the sale of group's main activity products	741,138	786,372
Revenues from the sale of group's secondary activities products	17,417	19,326
<b>Total revenue from contracts with customers</b>	<b>758,555</b>	<b>805,698</b>
<b>Other revenues</b>		
Revenues from green energy sales and CO2 emissions	12,713	18,119
Revenues from services, other revenues	5,098	5,950
<b>Total other revenues</b>	<b>17,811</b>	<b>24,069</b>
<b>Total</b>	<b>776,366</b>	<b>829,767</b>

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.

Analysis of revenues from contracts with customers from production sales from principal and subsidiary activities:

The Group mainly generates revenues from the sale of its own products, which are office paper, packaging paper and pulp. Revenue is generally recognized at a particular time, typically when the goods are delivered to a contractually agreed location. Customer payment terms do not include significant financial components.

The Group provides transport services related to the delivery of goods to the customer prior to the transfer of control over the goods to the customer. These transport services do not constitute a separate obligation to perform and the Group has assessed them as insignificant.

Revenues from contracts with customers outside the Mondi Group by country and region:

<i>(EUR'000)</i>	<i>Year Ended 31 December 2019</i>	<i>Year Ended 31 December 2018</i>
Slovakia	34,351	42,270
East Europe	24,341	25,959
West Europe	12,034	12,780
Asia	3,932	9,822
<b>Total</b>	<b>74,658</b>	<b>90,831</b>

The accompanying notes from 1 to 33 are an integral part of these consolidated financial statements



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Revenue from contracts with customers outside the Mondi Group by product:

<i>(EUR'000)</i>	<i>Year Ended 31 December 2019</i>	<i>Year Ended 31 December 2018</i>
Paper	20,137	26,549
Pulp	39,898	48,000
<b>Revenues from the sales of production from the principal activities of the Group</b>	<b>60,035</b>	<b>74,549</b>
Wood	3,850	4,603
Energy	6,763	7,485
Paper for recycling	1,793	2,428
Other	2,217	1,766
<b>Revenues from the sales of production from the subsidiary activities of the Group</b>	<b>14,623</b>	<b>16,282</b>
<b>Total</b>	<b>74,658</b>	<b>90,831</b>

None of the external customers had sales of more than 10% of total external sales for both years.

The Group has no significant assets or liabilities arising from customer contracts in any one year. No customer contract costs were capitalized. The Group does not disclose in the notes about other liabilities arising from contracts with customers that have an original expected duration of one year or less, as permitted by IFRS 15.

Revenues from contracts with Group's related parties by client:

<i>(EUR'000)</i>	<i>Year Ended 31 December 2019</i>	<i>Year Ended 31 December 2018</i>
Mondi Paper Sales, Austria	670,213	700,244
Mondi Syktyvkar, Russia	10,938	11,645
Mondi Swiecie, Poland	2,746	2,978
<b>Total</b>	<b>683,897</b>	<b>714,867</b>

The accompanying notes from 1 to 33 are an integral part of these consolidated financial statements

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Revenues from contracts with Group's related parties by products:

<i>(EUR'000)</i>	<i>Year Ended 31 December 2019</i>	<i>Year Ended 31 December 2018</i>
Paper	681,103	711,823
<b>Revenues from the sales of production from the principal activities of the Group</b>	<b>681,103</b>	<b>711,823</b>
Paper for recycling	2,745	2,978
Other	49	66
<b>Revenues from the sales of production from the subsidiary activities of the Group</b>	<b>2,794</b>	<b>3,044</b>
<b>Total</b>	<b>683,897</b>	<b>714,867</b>

## 6. TRANSPORTATION AND SELLING COSTS

An analysis of transportation and other selling costs of the Group for the year:

<i>(EUR'000)</i>	<i>Year Ended 31 December 2019</i>	<i>Year Ended 31 December 2018</i>
Transportation costs	46,569	48,646
Other	1,617	1,534
<b>Total</b>	<b>48,186</b>	<b>50,180</b>

## 7. RAW MATERIALS AND CONSUMABLES

An analysis of raw materials and consumables of the Group for the year:

<i>(EUR'000)</i>	<i>Year Ended 31 December 2019</i>	<i>Year Ended 31 December 2018</i>
Raw materials, direct and auxiliary materials (wood, pulp, chemicals, others)	358,561	385,053
Energy	52,568	62,534
Maintenance, felts and screens	42,044	41,145
Packages	21,843	23,601
Other (operating overhead, merchandise, manufacturing services, other)	14,773	13,052
<b>Total</b>	<b>489,789</b>	<b>525,385</b>

The accompanying notes from 1 to 33 are an integral part of these consolidated financial statements

## 8. OTHER SERVICES

An analysis of consumption of other services of the Group for the year:

<i>(EUR'000)</i>	<i>Year Ended 31 December 2019</i>	<i>Year Ended 31 December 2018</i>
Management and marketing services	9,288	9,368
Legal, advisory and auditing services	3,995	3,153
Insurance	3,901	3,106
IT and telecommunication services	3,437	2,922
Hire of employees and contractor costs	2,161	2,090
Safety and health at work	2,023	1,920
Maintenance of non-production facilities	1,607	1,647
Outsourcing	1,658	1,616
Advertising costs	1,114	1,082
Dane a poplatky	1,040	1,077
Taxes and fees	1,089	1,073
Personal services, travel expenses	967	875
Rent	832	753
Transport of third parties	260	281
Other	6,934	6,713
<b>Total</b>	<b>40,306</b>	<b>37,676</b>

Legal, advisory and auditing services contain fees paid to the auditor in the amount of EUR 219 thousand (2018: EUR 221 thousand).

## 9. PERSONNEL EXPENSES

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

<i>(EUR'000)</i>	<i>Year Ended 31 December 2019</i>	<i>Year Ended 31 December 2018</i>
Wages	66,893	62,026
Social expenses and other personal expenses	21,834	21,337
<b>Total</b>	<b>88,727</b>	<b>83,363</b>

## 10. OTHER OPERATING EXPENSES AND INCOME

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

<i>(EUR'000)</i>	<i>Note</i>	<i>Year Ended 31 December 2019</i>	<i>Year Ended 31 December 2018</i>
Revenues related to the restructuring of the pension fund		40,799	-
Gain on revaluation of the variable consideration regarding the acquisition of subsidiaries	26	17,764	13,201
Profit / (loss) on sale of non-current assets		(1,242)	(553)
State compensation for electricity prices for the previous year		3,121	-
Insurance benefits		2,234	364
Other		(218)	525
<b>Total</b>		<b>62,458</b>	<b>13,537</b>

Revenues related to the restructuring relates to the fact that on 13 December 2018, an Act was adopted amending the Social Security Act in Austria. It is effective from 1 January 2020 and defines that the obligations of the retirement health care plan are to be assumed by the Republic of Austria. The effect of a change in the law is classified as a liability for future contributions by a third party, which is a one-off non-monetary benefit to the Group. Further details are described in note 22.

## 11. FINANCE INCOME AND FINANCE COSTS

Analysis of finance income and finance costs of the Group for the year:

<i>Finance income</i>		<i>Year Ended 31 December 2019</i>	<i>Year Ended 31 December 2018</i>
Interest income		7	25
Provision for non-current financial assets		410	-
<b>Finance income total</b>		<b>417</b>	<b>25</b>

<i>Finance costs</i>	<i>Note</i>	<i>Year Ended 31 December 2019</i>	<i>Year Ended 31 December 2018</i>
Interest expense		2,236	2,070
Interest expense related to the contingent consideration from the acquisition of Austrian subsidiaries (unwinding of the discount)	26	90	566
Provision for non-current financial assets		-	165
<b>Total finance costs</b>		<b>2,326</b>	<b>2,801</b>

## 12. INCOME TAX

Group's income tax analysis for:

<i>(EUR'000)</i>	<i>Note</i>	<i>Year Ended 31 December 2019</i>	<i>Year Ended 31 December 2018</i>
Current tax		9,746	20,908
Deferred tax	24	(4,316)	1,691
<b>Income tax for the year</b>		<b>5,430</b>	<b>22,599</b>

Income tax is calculated at 21% rate applied in the Slovak Republic and 25% applied in Austria for Austrian subsidiaries (2018: 21% in the Slovak Republic and 25% in Austria) of the taxable profit. The total charge for the year can be reconciled to the accounting profit as follows:

	<i>Year Ended 31 December 2019</i>		<i>Year Ended 31 December 2018</i>	
	<i>(EUR'000)</i>	<i>%</i>	<i>(EUR'000)</i>	<i>%</i>
Profit before tax	71,826		95,211	
Share of profit/(loss) of joint ventures	(71)		(234)	
<b>Profit before tax adjusted for profit/(loss) of joint ventures</b>	<b>71,896</b>		<b>95,446</b>	
Tax calculated at the local income tax rate	15,098	21	20,043	21
Difference in overseas tax rate	(114)	25	(437)	25
Permanent differences	(5,931)		4,451	
Tax relief	(3,616)		(1,593)	
Accruals and other differences	(7)		135	
<b>Income tax and effective tax rate for the year</b>	<b>5,430</b>	<b>7.6</b>	<b>22,599</b>	<b>23.7</b>

Within the permanent differences for 2019, the Group reported a tax loss on the Company Mondi Neusiedler, GmbH, which is not included in deferred tax assets of EUR 1,123 thousand (2018: EUR 4,274 thousand).

Furthermore, within the permanent differences for the year 2019, the Group reported the effect of the revaluation tax related to the acquisition of a financial investment in Austrian companies for 2019 in the amount of EUR (3,712) thousand and correction of revaluation tax related to acquisition of financial investment in Austrian companies from previous periods in amount of EUR (3,470) thousand.

In 2019, the Group applied income tax relief of EUR 3,616 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 (2018: EUR 1,593 thousand).

### 13. INTANGIBLE ASSETS

Analysis of the Group's intangible assets for the year ended 31 December 2019:

<i>(EUR'000)</i>	<i>Goodwill</i>	<i>Other Intangible Assets</i>	<i>Total</i>
<b>Cost</b>			
As at 1 January 2019	371	23,456	23,827
Additions	-	279	279
Transfers and reclassification	-	22	22
Disposals	-	(19)	(19)
<b>As at 31 December 2019</b>	<b>371</b>	<b>23,738</b>	<b>24,109</b>
<b>Amortisation &amp; impairments</b>			
As at 1 January 2017	169	22,458	22,627
Annual amortisation	-	372	372
Disposals	-	(19)	(19)
<b>As at 31 December 2019</b>	<b>169</b>	<b>22,811</b>	<b>22,980</b>
<b>Carrying amount</b>			
As at 1 January 2019	202	998	1,200
As at 31 December 2019	202	927	1,129

Analysis of the Group's intangible assets for the year ended 31 December 2018:

<i>(EUR'000)</i>	<i>Goodwill</i>	<i>Other Intangible Assets</i>	<i>Total</i>
<b>Cost</b>			
As at 1 January 2018	371	25,248	25,619
Additions	-	349	349
Transfers and reclassification	-	198	198
Disposals	-	(2,339)	(2,339)
<b>As at 31 December 2018</b>	<b>371</b>	<b>23,456</b>	<b>23,827</b>
<b>Amortisation &amp; impairments</b>			
As at 1 January 2018	169	24,355	24,524
Charge for the year	-	442	442
Disposals	-	(2,339)	(2,339)
<b>As at 31 December 2018</b>	<b>169</b>	<b>22,458</b>	<b>22,627</b>
<b>Carrying amount</b>			
As at 1 January 2018	202	893	1,095
As at 31 December 2018	202	998	1,200

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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 2019 have intangible assets in acquisition and advances for intangible assets in the amount of EUR 29 thousand (2018: had no intangible assets in acquisition and advances for intangible assets).

#### 14. PROPERTY, PLANT AND EQUIPMENT

Analysis of the Group's property, plant and equipment for the year ended 31 December 2019:

<i>(EUR'000)</i>	<i>Land and Buildings</i>	<i>Machines and Equipment</i>	<i>Assets under Construction and Advance Payments</i>	<i>Other Non-Current Tangible Assets</i>	<i>Total</i>
<b>Cost</b>					
As at 1 January 2019	339,254	1,396,465	66,842	51,538	1,854,099
Additions	-	-	207,285	-	207,285
Disposals	(1,087)	(30,704)	-	(327)	(32,118)
Transfers and reclassification	10,697	104,598	(117,660)	2,343	(22)
<b>As at 31 December 2019</b>	<b>348,864</b>	<b>1,470,359</b>	<b>156,467</b>	<b>53,554</b>	<b>2,029,244</b>
<b>Accumulated depreciation and impairment</b>					
As at 1 January 2019	198,135	1,085,822	-	46,537	1,330,494
Annual depreciation charge	7,087	41,701	-	1,203	49,991
Impairment	-	39,028	-	-	39,028
Disposals	(630)	(30,657)	-	(325)	(31,612)
<b>As at 31 December 2019</b>	<b>204,592</b>	<b>1,135,894</b>	<b>-</b>	<b>47,415</b>	<b>1,387,901</b>
<b>Carrying amount</b>					
As at 1 January 2019	141,119	310,643	66,842	5,001	523,605
As at 31 December 2019	144,272	334,465	156,467	6,139	641,343

In 2019, the Group decided and recognized impairment of fixed assets within the Austrian subsidiary Mondi Neusiedler, GmbH., in the amount of EUR 39,028 thousand.

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Analysis of the Group's property, plant and equipment for the year ended 31 December 2018:

<i>(EUR'000)</i>	<i>Land and Buildings</i>	<i>Machines and Equipment</i>	<i>Assets under Construction and Advance Payments</i>	<i>Other Non-Current Tangible Assets</i>	<i>Total</i>
<b>Cost</b>					
At 1 January 2018	337,038	1,384,368	11,010	52,137	1,784,553
Additions	-	-	88,226	-	88,226
Disposals	(620)	(16,181)	-	(1,681)	(18,482)
Transfers and reclassification	2,836	28,278	(32,394)	1,082	(198)
<b>At 31 December 2018</b>	<b>339,254</b>	<b>1,396,465</b>	<b>66,842</b>	<b>51,538</b>	<b>1,854,099</b>
<b>Accumulated depreciation and impairment</b>					
At 1 January 2018	190,238	1,059,543	-	46,977	1,296,758
Annual depreciation charge and impairment	8,511	42,438	-	1,225	52,174
Disposals	(614)	(16,159)	-	(1,665)	(18,438)
<b>At 31 December 2018</b>	<b>198,135</b>	<b>1,085,822</b>	<b>-</b>	<b>46,537</b>	<b>1,330,494</b>
<b>Carrying amount</b>					
At 1 January 2018	146,800	324,825	11,010	5,160	487,795
At 31 December 2018	141,119	310,643	66,842	5,001	523,605

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):

<i>Insured Object</i>	<i>Type of Insurance</i>	<i>Amount</i>	
		<i>31 December 2019</i>	<i>31 December 2018</i>
Passenger vehicles	Against theft, motor hull insurance	82	82
Property, plant and equipment	Against natural disasters	1,583,515	1,555,356
Plant and equipment	Against machine breakage	1,738,919	1,708,657
Inventories	Against natural disasters	82,949	85,720

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## 15. SUBSIDIARIES

Overview of the Group's subsidiaries as at 31 December 2019:

<i>Name of Subsidiary</i>	<i>Place of Registration and Operation</i>	<i>Principal Activity</i>	<i>Ownership Share in %</i>	<i>Year of First Consolidation</i>
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
SLOWWOOD 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
Ybbstaler Zellstoff, GmbH	Kematen, Austria	Production and trading in paper goods	100	2016
Sloppaper Recycling, s r. o.	L. Kassáka 10, 940 01 Nové Zámky	Waste management	100	2017

As at 5 January 2018, the parent company Mondi SCP, a. s., sold a 15% share in Sloppaper Recycling, s. r. o., Nové Zámky, Slovakia, to its subsidiary Obaly SOLO, s. r. o.

In 2019, the Parent Company acquired assets and liabilities arising from the purchase of part of the business Company's "Production Activities" from its subsidiary Obaly S O L O, s. r. o.. The effective date for the sale of part of the business was 1 October 2019. The Parent Company has also taken over all employees of the subsidiary Obaly S O L O, s. r. o. and all obligations arising from employment relationships.

During the year ended 31 December 2019, there were no other changes in the structure of subsidiaries and their ownership interests.

## 16. INVESTMENTS IN JOINT VENTURES

Overview of the Group's joint ventures as at 31 December 2019:

<i>Name of Associate</i>	<i>Place of Registration and Operation</i>	<i>Principal Activity</i>	<i>Ownership Share in %</i>	<i>Share in Voting Rights in %</i>	<i>The Carrying Value of The Investment</i>
RECOPAP, s. r. o.	Bratislavská 18, Zohor	Sorting and pressing of waste paper	50	50	245
East Paper, s. r. o.	Rastislavova 98, Košice	Waste management business	51	50	202

Investments in joint ventures were acquired in 2017 as part of the acquisition of 100% share of Sloppaper Recycling s. r. o. They are charged using the equity method.

During the year ended 31 December 2019, the share in the joint venture KB Paper, s. r. o. was sold for the price of EUR 85 thousand, profit from the sale amounted to EUR 24 thousand. In addition, there were no other changes in the structure of investments in joint ventures and their ownership interests.

## 17. INVENTORIES

Overview of the Group's inventories:

<i>(EUR'000)</i>	<i>31 December 2019</i>	<i>31 December 2018</i>
Raw materials, consumables and spare parts	52,331	40,718
Work in progress and semi-finished goods	24,729	29,533
Finished goods	24,501	26,483
Merchandise	476	501
<b>Total</b>	<b>102,037</b>	<b>97,235</b>

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

Cost of inventories charged as an expense is disclosed in Note 7.

As at 31 December 2019, the Group recorded provisions in the amount of EUR 25,320 thousand (2018: EUR 24,972 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:

<i>(EUR'000)</i>	<i>2019</i>	<i>2018</i>
As at 1 January	24,972	23,380
Charge	554	1,837
Used and released	(206)	(245)
<b>Total</b>	<b>25,320</b>	<b>24,972</b>

## 18. TRADE AND OTHER RECEIVABLES

Overview of the Group's non-current trade receivables and other receivables:

<i>(EUR'000)</i>	<i>31 December 2019</i>	<i>31 December 2018</i>
Non-current receivables from sales of non-current assets	-	207
<b>Total</b>	<b>-</b>	<b>207</b>

The recognised balance of the non-current receivables from the sale of the property of the old administrative building in 2018 represents its discounted present value.

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Overview of the Group's current trade receivables and other receivables:

<i>(EUR'000)</i>	<i>31 December 2019</i>	<i>31 December 2018</i>
Receivables from the sale of finished goods and services	78,594	93,846
Tax receivables	12,499	12,370
Advance payments made	1,302	1,405
Other receivables	1,395	893
<b>Total</b>	<b>93,790</b>	<b>108,514</b>

The Group created a provision for estimated irrecoverable receivables from the sale of finished goods and other receivables in the amount of EUR 166 thousand (2018: EUR 200 thousand). 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):

<i>(EUR'000)</i>	<i>31 December 2019</i>	<i>31 December 2018</i>
Within maturity	93,221	106,851
Overdue	735	1,863
<b>Total</b>	<b>93,956</b>	<b>108,714</b>

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. Information about insurance coverage claims contains Note 29, section Credit Risk.

The Group recorded no receivables under lien.

## **19. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise bank accounts and cash on hand, including the Group's cash and current 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.

<i>(EUR'000)</i>	<i>31 December 2019</i>	<i>31 December 2018</i>
Cash and cash equivalents	589	1,678
<b>Total</b>	<b>589</b>	<b>1,678</b>

The accompanying notes from 1 to 33 are an integral part of these consolidated financial statements

## **20. SHARE CAPITAL**

Share capital was issued in the form of bearer shares. As at 31 December 2019 and 2018, 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.

## **21. OTHER COMPONENTS OF EQUITY**

As at 31 December 2019, other components of equity 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 11,536 thousand) and the difference arising from the acquisition of Austrian companies Mondi Neusiedler and Ybbstaller Zellstof in amount (EUR 6,425 thousand) and Other funds in amount (EUR 278 thousand). The total amount of other funds was (EUR 5,389 thousand).

## **22. EMPLOYEE BENEFIT PLANS**

The Group provides retirement benefit plans and health care retirement plans for employees of both Austrian companies, as well as defined benefit retirement benefit plans for all its employees.

### *Pension benefits*

The Group contributes to a pension plan for both Austrian companies.

### *Post-employment health care plans*

The Group contributes to the post-retirement health care plan for both Austrian companies. The accounting method, the assumption and the valuation interval are similar to those for retirement benefit plans.

### *Development in 2018 and 2019*

On 13 December 2018, an Act was adopted amending the Social Security Act in Austria. It is effective from 1 January 2020 and defines that the obligations of the retirement health care plan are to be assumed by the Republic of Austria. The act allowed the Group to set up an independent deposit, to which it could contribute the assets of a retirement health care plan, to the benefits for plan participants. Based on further review and clarification of the Act and the necessary implementation steps, the Group decided to use this option in 2019 and to apply an accounting policy as described below.

Accounting and presentation in the consolidated statement of financial position and in this note is considered to be a significant accounting estimate, in particular whether to account for a change in the law as a claim for compensation or as a third party contribution.

The impact of the amendment is presented in 2019 with an analogy to paragraphs 92-94 of IAS 19 (revised) due to the assumption of obligations on future contributions by a third party. As there is no legal requirement for the Group to make further contributions to the fund and the current deficit will be covered by another party (the Austrian State and independent deposits), there is no deficit at the end of the year. There is also no obligation for the Group to finance these service costs in respect of future service costs. All future service costs incurred after 31 December 2019 for a retirement benefit plan will be covered by contributions from another person (the Austrian State and independent deposits) at that time, and at this

time these are not considered as a liability of the Group.

The effect of the amendment to the Act is classified as the assumption of the obligation to pay future contributions by a third party, which is a one-off non-monetary benefit of the Group reported within Other operating expenses and income of EUR 40,799 thousand in 2019 (see note 10). Third-party contributions by the Austrian State and the transfer of plan assets to an independent deposit are classified as an extraordinary item and recognized in the consolidated income statement. The adjustment to the liabilities of the plan by the amount assumed by the Austrian State is shown in the consolidated statement of financial position, with a corresponding adjustment to the assets of the plan to transfer the assets to an independent deposit. The impact of a change in the law and the establishment of an independent deposit is presented on a "net" basis in the consolidated statement of financial position ("net" zero position) in 2019.

#### *Retirement pension obligation*

The long-term employee benefits plans are a defined benefit Group plans whereby employees are entitled to a one-time retirement or disability pension contribution equal to a certain percentage of the company's average annual wage, depending on the conditions set.

As at 31 December 2019, this plan applied to all Group employees. To this date, the plan was called not covered by financial resources, which means, without specifically designated assets to cover the obligation arising from it.

#### *Other long-term employee benefits obligation*

The other long-term employee benefit obligation represents a commitment to regular jubilee remuneration, which the Group is required to pay and a commitment to support for partial retirement for Austrian company employees.

The Group estimated a provision for pensions, post-employment health care, retirement payment and other long-term employee benefits 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 non-current 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*

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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 2019**

<b>(EUR '000)</b>	<b>Pension Benefits</b>	<b>Health Care Plans</b>	<b>Retirement Payment &amp; Jubilee Benefit</b>	<b>Total</b>
Less than a year	231	-	1,479	1,710
Between one and two years	109	-	1,071	1,180
Between two to five years	334	-	5,031	5,365
After five years	2,727	-	30,755	33,482
<b>Total</b>	<b>3,401</b>	<b>-</b>	<b>38,336</b>	<b>41,737</b>

**31 December 2018**

<b>(EUR'000)</b>	<b>Pension Benefits</b>	<b>Health Care Plans</b>	<b>Retirement Payment &amp; Jubilee Benefit</b>	<b>Total</b>
Less than a year	228	6,404	1,492	<b>8,124</b>
Between one and two years	126	-	111	<b>237</b>
Between two to five years	387	-	1,748	<b>2,135</b>
After five years	3,136	-	21,884	<b>25,020</b>
<b>Total</b>	<b>3,877</b>	<b>6,404</b>	<b>25,235</b>	<b>35,516</b>

The average duration of defined employee benefits liabilities is 15 years (2018: 15 years).

It is expected that the Group's share of contributions will increase as the plans' members age. The expected contributions to be paid to defined benefit pension plans, other post-employment benefits and the other non-current benefits during 2020 are EUR 1,521 thousand.

The employee benefits plan liabilities recognised in the consolidated statement of financial position by categories:

<b>(EUR'000)</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Fair value of liabilities not covered by the funds	(35,721)	(33,366)
Fair value of liabilities covered by the funds	-	(36,840)
Total fair value of liabilities	(35,721)	(70,206)
Fair value of fund assets	-	16,017
<b>Net value of employee benefits liabilities</b>	<b>(35,721)</b>	<b>(54,189)</b>

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Amounts recognised in the consolidated statement of financial position:

<i>(EUR'000)</i>	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Total employee benefits assets</b>	-	-
Pension benefits	(8,002)	(6,666)
Post-employment health care	-	(20,823)
Entitlement to lump-sum payment upon retirement	(21,000)	(20,269)
Payable from other non-current employee benefits (jubilee benefits)	(6,719)	(6,431)
<b>Total employee benefits liabilities</b>	<b>(35,721)</b>	<b>(54,189)</b>

Country-based employee benefits plan liabilities recognized in the balance sheet:

<i>(EUR'000)</i>	<b>31 December 2019</b>			<b>31 December 2018</b>		
	Austria	Slovakia	Total	Austria	Slovakia	Total
Pension benefits	8,002	-	8,002	6,666	-	6,666
Post-employment health care	-	-	-	20,823	-	20,823
Entitlement to lump-sum payment upon retirement	19,052	1,948	21,000	18,743	1,526	20,269
Payable from other non-current employee benefits (jubilee benefits)	4,435	2,284	6,719	4,494	1,937	6,431
<b>Total</b>	<b>31,489</b>	<b>4,232</b>	<b>35,721</b>	<b>50,726</b>	<b>3,463</b>	<b>54,189</b>

Charged to the consolidated statement of profit or loss and other comprehensive income according to changes in current value of liabilities and at fair value of plan assets:

<i>(EUR'000)</i>	<b>Plan Liabilities</b>		<b>Plan Assets</b>		<b>Net Liability</b>	
	2019	2018	2019	2018	2019	2018
As at 1 January	(70,206)	(55,224)	16,017	15,685	(54,189)	(39,539)
<b>Included in the statement of profit or loss and other comprehensive income</b>						
Current service costs	(1,754)	(1,025)	-	-	(1,754)	(1,025)
Past service cost	-	-	-	-	-	-
Interests	(1,134)	(826)	273	235	(861)	(591)
Plan participants contributions	(3,360)	(3,351)	3,360	3,351	-	-
Paid benefits	5,917	6,608	(3,359)	(3,210)	2,558	3,398
Cancellation of provisions	57,057	-	(16,258)	-	40,799	-
<b>Included in the other comprehensive income</b>						
Revaluation gains/(losses)	(22,241)	(16,388)	(33)	(44)	(22,274)	(16,432)
<b>As at 31 December</b>	<b>(35,721)</b>	<b>(70,206)</b>	<b>-</b>	<b>16,017</b>	<b>(35,721)</b>	<b>(54,189)</b>

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Key actuarial assumptions:

	<i>Year ended 31 December 2019</i>	<i>Year ended 31 December 2018</i>
Real discount rate p. a.	0.4%	1.6%
Inflation	1.6% - 1.9%	1.9%
Staff turnover p.a	1.0 % - 3.1%	1.0 % - 3.1%
Retirement age, men/women	60 - 63/60 - 63	60 – 63 / 58 - 60
Mortality and disability table	Pagler & Pagler	Pagler & Pagler
Future growth of wages	2.5%	3.5%
Future growth of pensions	2.0%	2.0%

Sensitivity analysis for the year ended 31 December 2019:

	<i>Sensitivity 1</i>	<i>The Main Assumption</i>	<i>Sensitivity 2</i>
Discount rate	(0.6)%	0.4%	1.4%
Net liability of defined employee benefits (without liabilities from other non-current benefits)	33,527	29,002	25,489
Inflation	0.6%-0.9%	1.6%-1.9%	2.6%-2.9%
Net liability of defined employee benefits (without liabilities from other non-current benefits)	25,590	29,002	33,355

Sensitivity analysis for the year ended 31 December 2018:

	<i>Sensitivity 1</i>	<i>The Main Assumption</i>	<i>Sensitivity 2</i>
Discount rate	0.6%	1.6%	2.6%
Net liability of defined employee benefits (without liabilities from other non-current benefits)	88,909	63,775	47,081
Inflation	0.9%	1.9%	2.9%
Net liability of defined employee benefits (without liabilities from other non-current benefits)	59,936	63,775	68,052

### 23. LOANS AND CREDITS

Group's current loans analysis:

<i>(EUR'000)</i>	<i>Note</i>	<i>31 December 2019</i>	<i>31 December 2018</i>
Other current loans from related parties	30	14,982	10,768
<b>Total</b>		<b>14,982</b>	<b>10,768</b>

The maturity of current loans is up to 12 months.

Movement of current loans from related parties:

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<i>(EUR'000)</i>	<i>2019</i>	<i>2018</i>
As at 1 January	10,768	42,566
Interest accrued	90	873
Interest paid	(90)	(873)
Reclassification	-	(32,965)
Proceeds from loans	4,214	1,167
<b>As at 31 December</b>	<b>14,982</b>	<b>10,768</b>

Group's non-current loans analysis:

<i>(EUR'000)</i>	<i>Note</i>	<i>31 December 2019</i>	<i>31 December 2018</i>
Other non-current loans from related parties	30	33,886	33,041
<b>Total</b>		<b>33,886</b>	<b>33,041</b>

Movement of non-current loans from related parties:

<i>(EUR'000)</i>	<i>2019</i>	<i>2018</i>
As at 1 January	33,041	-
Interest accrued	845	76
Interest paid	(845)	(76)
Reclassification	-	32,965
Proceeds from loans	845	76
<b>As at 31 December</b>	<b>33,886</b>	<b>33,041</b>

The Group did not draw any current or non-current bank loans in 2019. As at 31 December 2019 and 31 December 2018, the Group drew an operating loan within the Mondi Group granted by Mondi Finance plc., London.

## 24. DEFERRED TAX ASSET AND LIABILITY

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

<i>Deferred tax asset</i>	<i>Difference in NBV of Non-current Assets</i>	<i>Other Temporary Differences</i>	<i>Tax Loss</i>	<i>Total</i>
As at 1 January 2019	(5,106)	5,592	18	504
Recognised in the profit or loss	9,823	(9,864)	53	12
Recognised in equity	-	(37)	-	(37)
<b>As at 31 December 2019</b>	<b>4,717</b>	<b>(4,309)</b>	<b>71</b>	<b>479</b>

<i>Deferred tax liability</i>	<i>Difference in NBV of Non-current Assets</i>	<i>Other Temporary Differences</i>	<i>Tax Loss</i>	<i>Total</i>
As at 1 January 2019	40,166	(2,222)	-	37,944
Recognised in the profit or loss	(214)	(4,090)	-	(4,304)
Recognised in equity	-	(89)	-	(89)
<b>As at 31 December 2019</b>	<b>39,952</b>	<b>(6,401)</b>	<b>-</b>	<b>33,551</b>

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

<i>Deferred tax assets</i>	<i>Difference in NBV of Non-current Assets</i>	<i>Other Temporary Differences</i>	<i>Tax Loss</i>	<i>Total</i>
As at 1 January 2018	(133)	517	4	388
Recognised in the profit or loss	4	201	14	219
Recognised in equity	-	391	-	391
Reclassification	(4,977)	4,483	-	(494)
<b>As at 31 December 2018</b>	<b>(5,106)</b>	<b>5,592</b>	<b>18</b>	<b>504</b>

<i>Deferred tax liability</i>	<i>Difference in NBV of Non-current Assets</i>	<i>Other Temporary Differences</i>	<i>Tax Loss</i>	<i>Total</i>
As at 1 January 2018	46,488	(9,975)	-	36,513
Recognised in the profit or loss	(1,345)	3,255	-	1,910
Recognised in equity	-	15	-	15
Reclassification	(4,977)	4,483	-	(494)
<b>As at 31 December 2018</b>	<b>40,166</b>	<b>(2,222)</b>	<b>-</b>	<b>37,944</b>

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Deferred tax assets ageing structure:

<i>(EUR'000)</i>	<i>31 December 2019</i>	<i>31 December 2018</i>
- over 12 months	479	504
<b>Total</b>	<b>479</b>	<b>504</b>

Deferred tax liabilities ageing structure:

<i>V tis. €</i>	<i>31 December 2019</i>	<i>31 December 2018</i>
- over 12 months	39,952	35,910
- due within 12 months	(6,401)	2,034
<b>Total</b>	<b>33,551</b>	<b>37,944</b>

## 25. PROVISIONS

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

<i>(EUR'000)</i>	<i>2019</i>	<i>2018</i>
As at 1 January	2,370	1,903
Additions	89	465
Use	-	(11)
Transfers and reclassifications	-	13
<b>As at 31 December</b>	<b>2,459</b>	<b>2,370</b>

Additions to non-current provision for the restoration of a landfill represents the recognition of interest to adjust the value of the provision for the third stage of the landfill in the amount of EUR 124 thousand and reckoning of interest to adjust the provision to net present value as at 31 December 2019 in the amount of EUR 89 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 150 thousand, this has been closed and is being used to remedy the costs associated with its monitoring. The second stage of the landfill, which has a balance of EUR 1,033 thousand was closed according to the plan by the end of 2017, and restoration started 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 1,376 thousand is created, was planned to close by the end of 2025. The new estimated closing is planned in the end of 2021. It used a discount rate of 6.97% and an average annual inflation of 1.4%

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

<i>(EUR'000)</i>	<i>Environmental Provision</i>	<i>Onerous Contracts Provision</i>	<i>Current Provisions Total</i>
As at 1 January 2019	67	1,990	2,057
Use	(67)	-	(67)
Release	-	(1,353)	(1,353)
<b>As at 31 December 2019</b>	<b>-</b>	<b>637</b>	<b>637</b>

<i>(EUR'000)</i>	<i>Environmental Provision</i>	<i>Onerous Contracts Provision</i>	<i>Current Provisions Total</i>
As at 1 January 2018	430	1,624	2,054
Charge	67	366	433
Use	(417)	-	(417)
Transfers and reclassifications	(13)	-	(13)
<b>As at 31 December 2018</b>	<b>67</b>	<b>1,990</b>	<b>2,057</b>

The balance of the current environmental reserve was a provision created for remedy the costs associated with the environmental burden of the parent company's former oil operation.

## 26. TRADE AND OTHER PAYABLES

Overview of trade and other payables:

<i>(EUR'000)</i>	<i>31 December 2019</i>	<i>31 December 2018</i>
Trade payables	111,058	118,997
Trade payables of an investment nature	44,326	17,279
Other payables	14,849	15,362
<b>Total</b>	<b>170,233</b>	<b>151,638</b>

Breakdown of trade payables by maturity:

<i>Item</i>	<i>Within Maturity Period</i>	<i>Retentive</i>	<i>Maturity Within Maturity Period</i>	<i>Over 365 Days Overdue</i>	<i>Within Maturity Period</i>
<b>As at 31 December 2019</b>					
Trade payables (including of an investment nature)	127,654	6,422	21,175	133	155,384
<b>As at 31 December 2018</b>					
Trade payables (including of an investment nature)	116,544	2,258	17,472	2	136,276

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In 2019 retentive trade payables in amount of EUR 5,834 thousand were overdue up to one year after the maturity, in amount of EUR 588 thousand – overdue over one year after the maturity (in 2018 overdue up to one year in amount of EUR 2,129 thousand, overdue over one year in amount of EUR 129 thousand).

Other current payables comprise the following items:

<i>(EUR'000)</i>	<b>31 December 2019</b>	<b>31 December 2018</b>
Payables to employees, from social security insurance and other taxes	12,182	11,455
Accrued liabilities	695	1,349
Social fund	371	635
Other	1,601	1,923
<b>Total</b>	<b>14,849</b>	<b>15,362</b>

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

Other non-current liabilities comprise the following:

<i>(EUR'000)</i>	<b>31 December 2019</b>	<b>31 December 2018</b>
Payable associated with the acquisition of financial investments	4,821	22,495
Other	404	688
<b>Total</b>	<b>5,225</b>	<b>23,183</b>

A decrease in other non-current liabilities is caused mainly by revaluation of a non-current part of liability 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:

<i>(EUR'000)</i>	<b>2019</b>	<b>2018</b>
As at 1 January	22,495	35,130
Repayments	-	-
Unwinding of interest associated with payable from acquisition of subsidiaries	90	566
Gain from revaluation of financial liability at FVTPL	(17,764)	(13,201)
<b>As at 31 December</b>	<b>4,821</b>	<b>22,495</b>

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Sensitivity analysis for the year ended 31 December 2019:

	<i>Sensitivity 1</i>	<i>The Main Assumption</i>	<i>Sensitivity 2</i>
Discount rate	(0.6%)	0.4%	1.4%
Payable associated with the acquisition of financial investments	4,869	4,821	4,773
EBITDA and Net profit	-10%	nepoužitelné	+10%
Payable associated with the acquisition of financial investments	2,845	4,821	7,994

Sensitivity analysis for the year ended 31 December 2018:

	<i>Sensitivity 1</i>	<i>The Main Assumption</i>	<i>Sensitivity 2</i>
Discount rate	0.6%	1.6%	2.6%
Payable associated with the acquisition of financial investments	23,301	22,495	21,724
EBITDA and Net profit	-10%	nepoužitelné	+10%
Payable associated with the acquisition of financial investments	17,408	22,495	23,318

## 27. LEASES

The Group has entered into various leasing contracts. Leases of buildings and land have an average lease term of 40 years, machines and equipment 12 years and other leased assets 4 years.

### Assets with a right to use

The analysis of movements of the Group's leased assets with the right to use for the year ended 31 December 2019:

<i>(EUR'000)</i>	<i>Land and Buildings</i>	<i>Machinery and Equipment</i>	<i>Other Tangible Fixed Assets</i>	<i>Total</i>
<b>Cost</b>				
As at 1 January 2019	201	34,925	2,989	38,115
Additions	3	30,703	430	31,136
Disposals	-	(33,222)	(1,032)	(34,254)
<b>As at 31 December 2019</b>	<b>204</b>	<b>32,406</b>	<b>2,387</b>	<b>34,997</b>
<b>Accumulated depreciation and impairment</b>				
As at 1 January 2019	103	32,566	2,152	34,821
Annual depreciation and impairment	26	2,528	648	3,202
Disposals	-	(33,222)	(1,032)	(34,254)
<b>As at 31 December 2019</b>	<b>129</b>	<b>1,872</b>	<b>1,768</b>	<b>3,769</b>
<b>Carrying amount</b>				
As at 1 January 2019	98	2,359	837	3,294
As at 31 December 2019	75	30,534	619	31,228

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The analysis of movements of the Group's leased assets with the right to use for the year ended 31 December 2018:

<i>(EUR'000)</i>	<i>Land and Buildings</i>	<i>Machinery and Equipment</i>	<i>Other Tangible Fixed Assets</i>	<i>Total</i>
<b>Cost</b>				
As at 1 January 2018	229	34,289	2,837	37,355
Additions	17	636	777	1,430
Disposals	(45)	-	(625)	(670)
<b>As at 31 December 2018</b>	<b>201</b>	<b>34,925</b>	<b>2,989</b>	<b>38,115</b>
<b>Accumulated depreciation and impairment</b>				
As at 1 January 2018	89	29,930	1,747	31,766
Annual depreciation and impairment	17	2,636	685	3,338
Disposals	(3)	-	(280)	(283)
<b>As at 31 December 2018</b>	<b>103</b>	<b>32,566</b>	<b>2,152</b>	<b>34,821</b>
<b>Carrying amount</b>				
As at 1 January 2018	140	4,359	1,090	5,589
As at 31 December 2018	98	2,359	837	3,294

Additions to assets with the right to use amounted to EUR 31,136 thousand (in 2018: EUR 1,430 thousand). The most significant increase was the plant for the production of oxygen and ozone.

**Lease commitments**

Analysis of maturity of undiscounted lease commitments:

<i>(EUR'000)</i>	<i>31 December 2019</i>	<i>31 December 2018</i>
Less than a year	6,184	2,888
Between one and five years	8,693	899
After five years	19,108	88
<b>Celkom</b>	<b>33,985</b>	<b>3,875</b>

Lease commitments by residual maturity:

<i>(EUR'000)</i>	<i>31 December 2019</i>	<i>31 December 2018</i>
Current liabilities	5,460	2,811
Non-current liabilities	23,055	926
<b>Total</b>	<b>28,515</b>	<b>3,737</b>

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Total payments for the lease in 2019 amounted to EUR 6,441 thousand (in 2018: EUR 4,189 thousand).

**Amounts recognized in the consolidated statement of profit or loss and other comprehensive income**

<b>(EUR '000)</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Annual depreciation and impairment	3,202	3,338
Interest on lease commitments	343	175
Current rental costs and the cost of rentals assets with low value	832	754
<b>Total</b>	<b>4,377</b>	<b>4,267</b>

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The Group leases the land under the ECO + project under the PM19 paper machine and related infrastructure. Lease contracts are generally concluded for a longer period of 30 years or more. The rental terms are agreed on an individual basis and include fixed payment terms. The main rental conditions are listed below:

Land is leased for 30 or more years, after the lease period can be extended for another period. Lease contracts may only be canceled by mutual agreement or by notice from the Group. The Group may terminate these contracts without giving any reason, the notice period being 3 months. Lease contracts do not contain any liabilities, and leased assets cannot be used as collateral for loans or credits.

Lease contracts contain fixed payment terms, when the lease payment is usually agreed in advance for a period of 5 years. Land is classified as a separate class of assets with rights of use under IFRS16. Lease contracts do not include components that are not related to the lease of an asset with a right of use (maintenance, insurance) and therefore do not include variable payments related to those components.

The right to extend and terminate the contract is described above, the termination of the contract does not involve any further expenses of the Group, on the contrary, in the event of cancellation of the contract before the expiration of the lease period, the Group is entitled to repay proportional part of the rent already paid.



## 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:

<i>(EUR'000)</i>	<i>31 December 2019</i>	<i>31 December 2018</i>
Debt (i)	77,383	47,546
Cash and cash equivalent and Assets from Cash-pooling within Mondi Group	54,979	146,056
<b>Net debt</b>	<b>22,404</b>	<b>(98,510)</b>
Equity	606,974	562,799
<b>Net debt to equity ratio</b>	<b>4%</b>	<b>(18%)</b>

*(i) Debt is defined as current and non-current credits and loans and lease commitments*

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

Financial assets:

<i>(EUR'000)</i>	<i>Assets at FVTPL</i>	<i>Assets at Amortised Cost</i>
<b>31 December 2019</b>		
Receivables (including assets from cash-pooling)	-	150,762
Non-current financial assets	4,182	-
Receivables from financial derivatives	-	-
Cash and cash equivalents	-	589
<b>Financial assets</b>	<b>4,182</b>	<b>151,351</b>
<b>31 December 2018</b>		
Receivables (including assets from cash-pooling)	-	253,128
Non-current financial assets	3,772	-
Receivables from financial derivatives	7	-
Cash and cash equivalents	-	1,678
<b>Financial assets</b>	<b>3,779</b>	<b>254,806</b>

Group's non-current financial assets movements analysis:

Non-current financial assets are non-current available-for-sale securities. There was no sale in 2019 and a provision for non-current financial assets was created.

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Amounts included in the consolidated statement of profit or loss and other comprehensive income:

<i>(EUR'000)</i>	<b>2019</b>	<b>2018</b>
Gains/(losses) recognized in the statement of other comprehensive income	410	(165)
<b>Total</b>	<b>410</b>	<b>(165)</b>

Financial liabilities:

<i>(EUR'000)</i>	<i>Liabilities at FVTPL</i>	<i>Liabilities at Amortised Cost</i>
<b>31 Decembe 2019</b>		
Non-current investment purchase commitment	4,821	-
Liabilities from financial derivatives	13	-
Trade and other payables	-	170,233
Loans and credits	-	48,868
Leasing commitments	-	28,515
Other financial liabilities	-	404
<b>Financial liabilities</b>	<b>4,834</b>	<b>248,020</b>
<b>31 December 2018</b>		
Non-current investment purchase commitment	22,495	-
Liabilities from financial derivatives	20	-
Trade and other payables	-	151,638
Loans and credits	-	43,809
Leasing commitments	-	3,737
Other financial liabilities	-	688
<b>Financial liabilities</b>	<b>22,515</b>	<b>199,872</b>

**a) 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 current and non-current loans from related parties and was exposed to only immaterial interest rate risk during 2018. Therefore, no sensitivity analysis was performed. As at 31 December 2018, 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 current fluctuations.

As at 31 December 2019, the Group has opened 1 derivative transaction 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 2019:

Trade date	Maturity	Sale	Purchase	Forward rate
31.01.2019	11.02.2019	342,623.07 EUR	393,900 USD	1.1496599
31.01.2019	29.03.2019	305,900 USD	265,048.22 EUR	1.1541296
15.03.2019	29.03.2019	269,916.44 EUR	305,900 USD	1.1333137
15.03.2019	30.04.2019	305,900 USD	269,185.16 EUR	1.1363925
16.04.2019	30.04.2019	270,262.87 EUR	305,900 USD	1.131861
16.04.2019	31.05.2019	305,900 USD	269,558.88 EUR	1.134817
28.05.2019	31.05.2019	273,280.84 EUR	305,900 USD	1.1193613
28.05.2019	01.07.2019	305,900 USD	272,547.81 EUR	1.1223719
12.06.2019	01.07.2019	269,908.03 EUR	305,900 USD	1.133349

Note: Sale / Purchase by the Group

## 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.

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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 ECL (expected credit losses), using lifetime expected losses.

Analysis of receivables:

<i>(EUR'000)</i>	<i>31 December 2019</i>	<i>31 December 2018</i>
Impaired receivables	166	203
Receivables due but not impaired	77,693	91,983
Receivables overdue but not impaired	736	1,660
<i>of which 30 days overdue</i>	540	1,618
<i>of which over 30 days overdue</i>	196	42
<b>Total trade receivables (Note 18)</b>	<b>78,595</b>	<b>93,846</b>

The Group secures trade receivables from external customers. The security table is illustrated by the following table:

<i>(EUR'000)</i>	<i>31 December 2019</i>	<i>31 December 2018</i>
Total external trade receivables	7,377	12,234
Insured receivables	(6,704)	(10,740)
<b>Total unsecured external trade receivables</b>	<b>673</b>	<b>1,494</b>

Analysis of bank accounts by rating:

<i>(EUR'000)</i>	<i>31 December 2019</i>	<i>31 December 2018</i>
Baa2 (Moody's)	589	1,678
<b>Total</b>	<b>589</b>	<b>1,678</b>

### 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.

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<i>(EUR'000)</i>	<i>Weighted Average Effective Interest Rate</i>	<i>Up to 1 Month</i>	<i>1-3 Months</i>	<i>3 Months – 1 year</i>	<i>1-5 years</i>	<i>5 Years and More</i>	<i>Total</i>
<b>31 December 2019</b>							
Interest-free	-	110,817	7,404	51,291	5,561	-	175,073
Floating interest rate instruments	EONIA + 0.5%	-	-	21,166	42,579	19,108	82,853
<b>Total</b>		<b>110,817</b>	<b>7,404</b>	<b>72,457</b>	<b>48,140</b>	<b>19,108</b>	<b>257,926</b>
<b>31 December 2018</b>							
Interest-free	-	111,960	3,910	38,881	23,946	-	178,697
Floating interest rate instruments	EONIA + 0.5%	-	-	46,164	-	-	46,164
<b>Total</b>		<b>111,960</b>	<b>3,910</b>	<b>85,045</b>	<b>23,946</b>	<b>-</b>	<b>224,861</b>

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.

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Fair value revaluation at 31 December 2018:

<i>(EUR'000)</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Non-current financial assets measured at fair value through profit or loss	4,182	-	-
<b>Financial assets</b>	<b>4,182</b>	<b>-</b>	<b>-</b>
Financial liabilities measured at fair value through profit or loss	13	-	4,821
<b>Financial assets</b>	<b>13</b>	<b>-</b>	<b>4,821</b>

Fair value revaluation at 31 December 2018:

<i>(EUR'000)</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Non-current financial assets measured at fair value through profit or loss	3,772	-	-
<b>Financial assets</b>	<b>3,772</b>	<b>-</b>	<b>-</b>
Financial liabilities measured at fair value through profit or loss	20	-	22,495
<b>Financial assets</b>	<b>20</b>	<b>-</b>	<b>22,495</b>

*Fair value revaluation using significant unobservable inputs (level 3).*

Changes for level 3 items are disclosed in Note 26.

### **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, 110 00 Prague 1, Czech Republic, which owns a 49% share in the Company's share capital.

Transactions between the parent 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.

**Mondi SCP, a. s.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2019**

**b) Business and Other Transactions**

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

<i>(EUR'000)</i>	<b>31 December 2019</b>			
	<b>Sales of Goods and Services</b>	<b>Purchase of Goods and Services</b>	<b>Receivables</b>	<b>Payables</b>
<b>Company</b>				
<b>Other related parties</b>				
<b>Operating activities</b>				
Mondi Paper Sales, GmbH	671,885	59,809	67,460	7,524
Mondi Syktyvkar OJSC	10,939	1,559	3,584	-
SHP Harmanec a. s.	8,177	-	1,263	-
Mondi Swiecie	2,745	6,048	194	652
Mondi Finance plc.	2,249	277	-	-
Harmanec-Kuvert, spol. s r. o.	2,104	-	70	-
WOOD & PAPER, a. s.	1,651	5,698	57	106
Papierholz Austria, GmbH	1,574	11,288	220	1,093
SCP-PSS, s. r. o.	1,560	2,826	273	265
Mondi Uncoated Fine & Kraft Paper, GmbH	457	4,398	81	2,363
Mondi AG	268	6,844	49	6,628
FK INVEST, a. s., Košice	112	1,098	113	261
Mondi Štětí, a. s.	109	12	5	6
Mondi Bags Štětí, a. s.	46	-	11	-
Mondi Release Liner Austria, GmbH	14	-	-	-
Recopap, s. r. o.	8	1,158	-	52
KB Paper, s. r. o.	5	24	-	-
East Paper, s. r. o.	4	175	-	19
Mondi Ltd.	1	-	-	-
Mondi Inncoat, GmbH	1	-	-	-
Mondi Grunburg, GmbH	1	-	-	-
Mondi Industrial Bags, GmbH	1	-	-	-
ECO-INVEST SVK a. s.,	-	3,757	-	289
Mondi Corrugated Swiecie, sp Zoo	-	3,339	-	449
Mondi Packaging BZWP, sp Zoo	-	1,751	-	295
Mondi Coating Štětí, a. s.	-	354	-	19
Mondi Bupak, s. r. o.	-	60	-	6
Harvestia Oy	-	59	-	-
Mondi Napiag, GmbH	-	22	-	3
Mondi plc.	-	17	-	40
Mondi Bag Austria, GmbH	-	4	-	-
Mondi Coating, GmbH	-	2	-	2
<b>Total</b>	<b>703,911</b>	<b>110,579</b>	<b>73,380</b>	<b>20,072</b>

The accompanying notes from 1 to 33 are an integral part of these consolidated financial statements

**Mondi SCP, a. s.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2019**

Other transactions result from Group cash-pooling system, loans and credits with related parties and dividends flow towards Group Shareholders.

<i>Company</i>	<i>31 December 2019</i>			
	<i>Interests income</i>	<i>Dividends paid and Interests expense</i>	<i>Receivables</i>	<i>Payables</i>
<b>Other related parties</b>				
<b>Investing activities (Note 30 c)</b>				
Mondi Finance Limited	-	-	54,390	-
<b>Financing activities (Note 23)</b>				
Mondi Finance Limited	-	935	-	48,868
<b>Total</b>	<b>-</b>	<b>935</b>	<b>54,390</b>	<b>48,868</b>

Business transactions with the Group's related parties, for previous reporting period:

<i>Company</i>	<i>31 December 2018</i>			
	<i>Sales of Goods and Services</i>	<i>Purchase of Goods and Services</i>	<i>Receivables</i>	<i>Payables</i>
<b>(EUR'000)</b>				
<b>Other related parties</b>				
<b>Operating activities</b>				
Mondi Paper Sales, GmbH	701,658	46,969	77,735	5,097
Mondi Syktyvkar OJSC	11,646	-	3,403	-
SHP Harmanec, a. s.	8,802	-	3,067	-
Mondi Swiecie	2,978	6,891	511	230
Papierholz Austria, GmbH	2,387	10,517	449	1,184
Harmanec-Kuvert, spol. s r. o.	2,374	-	176	-
SCP-PSS, s. r. o.	1,584	2,925	299	400
Mondi Finance plc.	1,354	272	-	-
WOOD & PAPER, a. s.	1,147	3,855	138	645
Mondi AG	385	4,815	54	24,460
Mondi Uncoated Fine & Kraft Paper, GmbH	369	5,599	70	1,073
FK INVEST, a. s., Košice	124	1,063	123	37
Mondi Štětí, a. s.	47	-	33	-
Mondi Bags Štětí, a. s.	44	-	6	-
Mondi plc.	40	12	-	-
Mondi Release Liner Austria, GmbH	36	-	-	-
Recopap, s. r. o.	24	1,731	2	165
KB Paper, s. r. o.	10	138	1	5
East Paper, s. r. o.	4	244	-	42
Mondi Inncoat, GmbH	3	-	-	-
Mondi Corrugated Swiecie, sp Zoo	-	4,195	-	663
ECO-INVEST SVK a. s.,	-	3,753	-	370
Mondi Packaging BZWP, sp Zoo	-	2,097	-	385
Mondi Coating Štětí, a. s.	-	402	-	44
Mondi Bupak, s. r. o.	-	74	-	3
Mondi Bag Austria, GmbH	-	26	-	3
Mondi Gronau, GmbH	-	4	-	-
Mondi Stambolijsky	-	4	-	-
<b>Total</b>	<b>735,016</b>	<b>95,586</b>	<b>86,067</b>	<b>34,806</b>

The accompanying notes from 1 to 33 are an integral part of these consolidated financial statements



**Mondi SCP, a. s.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2019**

Other transactions with the Group's related parties, for previous reporting period:

<i>Copmany</i>	<i>Year Ended 31 December 2018</i>			
	<i>Interests income</i>	<i>Dividends paid and Interests expense</i>	<i>Receivables</i>	<i>Payables</i>
<b>Group Shareholders</b>				
Mondi SCP Holdings B.V, Maastricht	-	15,300	-	-
ECO-INVESTMENT, a. s., Prague	-	14,700	-	-
<b>Other related parties</b>				
<b><i>Investing activities (Note 30 c)</i></b>				
Mondi Finance Limited	8	-	144,378	-
<b><i>Financing activities (Note 23)</i></b>				
Mondi Finance Limited	-	949	-	43,809
<b>Total</b>	<b>8</b>	<b>30,949</b>	<b>144,378</b>	<b>43,809</b>

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

In 2019 Group capitalized costs in total amount of EUR 147 thousand from the company Mondi AG. These costs are connected with new paper machine PM19 within the ECO+ project in the amount of EUR 87 thousand (2018: EUR 147 thousand). Group capitalized costs from the company Mondi Uncoated Fine & Craft GmbH also related to new paper machine PM19 within the ECO+ project in total amount of EUR 260 thousand (2018: EUR 154 thousand). In 2019, the capitalized costs of Mondi Štetf amounted to EUR 12 thousand.

Financing activities represent cash-pool related operations. Further details are described in Note 23.

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 2019, the amount of EUR 54,390 thousand represents the cash-pooling balance with Mondi Finance Limited (31 December 2018: EUR 144,378 thousand).

### 31. REMUNERATIONS TO KEY MANAGEMENT PERSONNEL

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

<i>(EUR'000)</i>	<i>Year Ended 31 December 2019</i>	<i>Year Ended 31 December 2018</i>
Key Management Personnel (Top Management)	1,953	1,864
<b>Total</b>	<b>1,953</b>	<b>1,864</b>

### 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 Allowances*

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 National Council of the Slovak Republic 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 decided to record received emissions rights using the net liability method. As it does not record any liability for actual emissions. The Group has received adequate emissions allowances to cover its actual emissions. The Group had an obligation to cover emissions rights for actually produced emissions. This obligation was fulfilled by delivering emissions rights by 30 April 2019 for the 2018 reporting period. The Group received emissions rights in February 2019 for the 2019 reporting 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 210,053 and EUR 96,480 to secure liabilities resulting from the agreement made between Mondi SCP, a.s. and SEPS, a.s. In the event of default, the Group is obliged to pay UniCredit Bank.

Deutsche bank issued bank guarantee in the total amount of EUR 2,400,000 to Stredoslovenská energetika, a. s. (SSE, a. s.) to secure liabilities resulting from the agreement concluded with Mondi SCP, a.s. and SSE, a. s. In the event of default, the Group is obliged to pay to UniCredit Bank.

Deutsche Bank has provided a bank guarantee in the sum of EUR 100,000 to Slovwod Ružomberok, a. s. to secure liabilities resulting from the agreement concluded with Zalaerdo ZRT. and a bank guarantee in the sum of EUR 14,000,000 to secure liabilities resulting from the agreement concluded with Lesy Slovenskej republiky, š.p. In the event of default of debt, the Group is obliged to pay Deutsche Bank.

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

**d) Capital expenditures**

The value of open investment contracts at 31 December 2019 is EUR 145,855 thousand (2018: EUR 147,339 thousand).

**33. POST-BALANCE SHEET EVENTS**

By the end of 2019, the first reports on a limited number of cases of unknown disease in China (later referred to as COVID-19, Coronavirus) were reported to the World Health Organization. During the first months of 2020, the virus spread worldwide. The Group has assessed the consequences of the spread of the virus as an event after the end of the reporting period that does not require adjustment to the financial statements. The Group is currently unable to fully assess the consequences of the expansion of Coronavirus on its future financial position and operations, but, depending on further developments, the impacts may be negative and significant.

**Prepared on:**

2 March 2020

*Signature of the Person  
Responsible for  
Bookkeeping:*

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

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

**Approved on:**

  
LUCIE SCHOLTZ

  
THOMAS SEIDL

  
BERNHARD PESCHEK

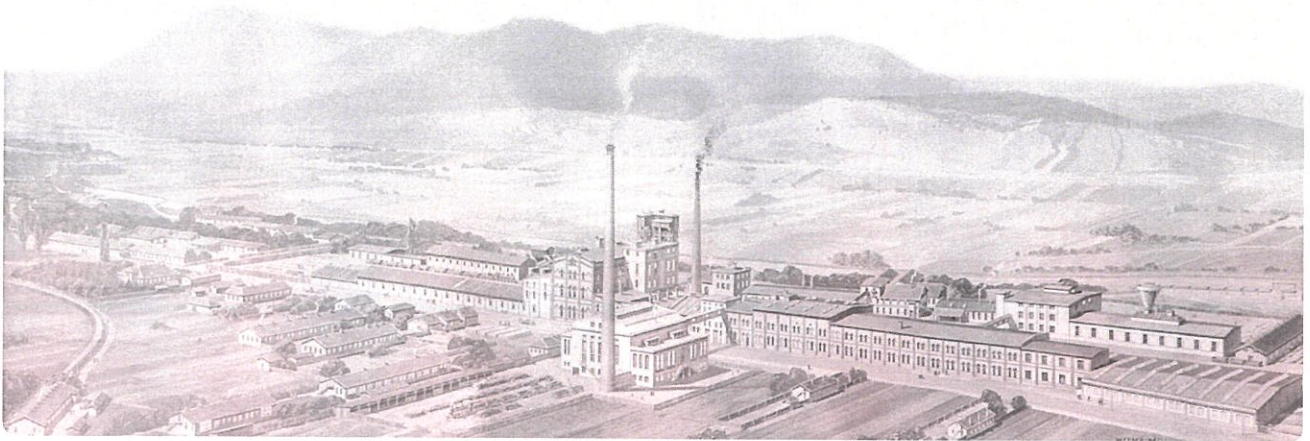
  
MILOSLAV ČURILLA

Mondi SCP  
Annual report 2019

SUSTAINABLE *by* DESIGN

MONDI SCP  
*contributes to*  
a BETTER WORLD

A thick orange horizontal line underlining the word 'WORLD' in the main headline.



More than **139 YEARS** of paper making tradition in Ružomberok



## Mondi SCP is part of Mondi, a leading global packaging and paper group, employing around 26,000 people across more than 30 countries.

Mondi is contributing to a better world by making innovative packaging and paper solutions that are sustainable by design. The Group's key operations are in Europe, North America and Africa, with Group offices in London and Vienna. In Mondi SCP, Mondi Group owns 51% of the shares.



49% of the shares are owned by ECO-INVESTMENT, a private investment holding company with a central seat in Prague. It was established in 1996 and successfully operates for more than 20 years in the market. The company makes investments primarily in Slovakia and the Czech Republic. Portfolio of ECO-INVESTMENT, a.s. includes investments in paper, packaging, food, energy, real estate and services.



## About us

**Mondi SCP, located in Ružomberok is the biggest integrated mill producing pulp and paper in the Slovak Republic, with a production capacity of 580,000 tonnes of uncoated fine paper, 66,000 tonnes of packaging paper and 660,000 tonnes of pulp.**

In Ružomberok, we have been producing office and packaging paper, as well as pulp for further processing into everyday products for already 139 years. We add high value to domestic renewable raw material – wood, which comes from well-managed forests or from controlled sources. We provide work for thousands of employees, directly or indirectly, and we aim to work openly and transparently with our stakeholders across the value chain to create an inclusive and fair business. Robust policies, standards and management systems help us to meet our commitments and guide our business to address the risks and opportunities facing them.

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 our production output. 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 reduce our impact on the environment. Through our strong support of the region, we support a permanent and visible improvement in the environment we operate in.

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.



GROW. CREATE.  
INSPIRE. TOGETHER.

**We are the biggest private employer in the region. We currently employ more than 1,300 employees internally and several thousand externally – within the supply chain. There are qualified and hardworking people that stand behind the success of the Mondi SCP story. In the last year, we hired 143 new employees which is mostly a result of an investment into a new paper machine, PM19.**

We always think about the future and, therefore, we very intensively cooperate with Stredná odborná škola Polytechnická in Ružomberok. We also cooperate with Stredná odborná škola elektrotechnická Liptovský Hrádok and universities as Slovenská technická univerzita Bratislava, Žilinská univerzita, Technická univerzita Košice and others.

Every year, we offer summer work for students over 18 years who work in different departments of the mill. Approximately 160 students have accepted the call for summer work in 2019. They supported production, maintenance as well as administration processes during summer months. For university students, we support their professional experience during studies and provide them with collaboration and professional supervision in writing bachelor's and master's theses.

## **In September 2019, we opened a pilot class in cooperation with Polytechnic school in Ružomberok in the field of chemist operator**

More and more companies in Slovakia are involved in a dual education system, which is very popular among students. We see it as an effective opportunity for cooperation of schools with employers where teaching at schools meets the needs of the employer. Therefore, we decided to open a pilot class in cooperation with the Polytechnic School in Ružomberok in the field of chemist-operator, which is in a great demand on the Slovakian market. We have seen the big success of this initiative right from the beginning on as students showed great interest in this field of study. In September 2019, the first class with 12 students started the studies. Mondi SCP has financially supported the establishment of this field of study including a new class room, changing rooms, teacher's cabinet and requisites for laboratory experiments.

Dual education means more practical education than only theory for students. In the first and second year, students will perform practical education in the newly reconstructed classroom of chemistry. During the third and fourth year, they will work at Mondi SCP mill. As an additional motivation, students can apply for a company scholarship, to be paid by Mondi SCP on a monthly basis, based on their achieved study results, regular attendance and exemplary behaviour. As this field belongs to so-called scarce study fields, the state supports as well by a motivational scholarship, tied to study results.

## New project REGIOCHEM for students of grammar schools in Ružomberok region was very successful

In January last year, our company organized the first round of REGIOCHEM competition. The objective was to support chemistry teaching in grammar schools and to promote a new field of study for chemist operators at Polytechnic School. According to the feedback of teachers, students have contributed beyond their duty, came to perform experiments within their free time and not only A graders joined the competition, but students with other grades who got excited about the practical education, joined.



To make this possible, Mondi SCP donated laboratory aids for chemical experiments to grammar schools in the region to be performed under teachers' supervision. These chemical boxes had a total value of 13,000 EUR. Consequently, it announced a three-round competition of four-member teams and totally 25 teams (100 students) from 15 regional schools participated. The competition met our expectations and we are already preparing the second round for 2020.





# Sustainable by DESIGN

**There are not many industrial companies in the world that can boast such a long tradition of production – Ružomberok mill celebrated 139 years of industrial production in 2019. The result of our production is a product you encounter every day . From the early morning coffee with sugar wrapped in paper, to sanitary products made from our pulp, printing your documents at work, drawings made by your children at school to reading books or buying cinema tickets in your leisure time – all of this on Mondi SCP paper.**

In recent years, our company 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), we are almost energy-efficient and produce green energy. After all investments, we can see positive trends, which lead to reduction of emissions from Mondi SCP. Also, the water quality achieves excellent parameters. Our company constantly monitors the development of technology in the market. With every investment we do, beside the technology improvements, we are also caring for the environment.

## Memorandum with Town

We do not forget about the region we operate in either. In April last year, representatives of Mondi SCP and the town of Ružomberok have signed a Memorandum of Cooperation for 2019, expressing the continuous mutual support of activities. In the Memorandum, Mondi SCP declared the ambition to maintain being a strong and stable employer and community supporter for 2019 and therefore it is committed to support the areas of healthcare, education, sport, social welfare and culture, but as both parties agreed, it will mostly support the area of environment.



## We support various environmentally-focused projects in the region within the project “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 organisations and the Lower Liptov organisations may apply for their projects.

## We also engage our employees

Employees of Mondi SCP have every year an opportunity to submit projects of local community improvements financially supported by the mill. These projects belong to broader efforts for being the best possible neighbour of the region. In 2019, 83 projects have been submitted, of which 30 have been selected for realisation

The projects are mainly focused on children and youth, whether it is class room modernisations, barefoot paths, premises renewals, adding and replacement of benches, trees planting or the realisation of sports and educational activities and equipment for the young generation.

Such help from Mondi SCP to the region has been ongoing for 12 years. Financing or co-financing, it connects corporate social responsibility with a creative involvement of people who are employed in the region.

## Environmental days for the representatives of the region

Every year, Mondi SCP organises two environmental days for the representatives of the town and communities, representatives of the state administration bodies, non-profit organisations and associations, as well as local media with this creating open communication about various environmental topics. In 2019, Mondi SCP also prepared activities for the general public. At the Environmental Day, free health measurements for the public were offered, as part of the company's efforts to link environmental issues to health.

## Ecological days for employees

For our employees and their families, we organise 2 ecological days through which we try to improve the quality of the region we live in. We plant trees, collect garbage and build recreation zones.



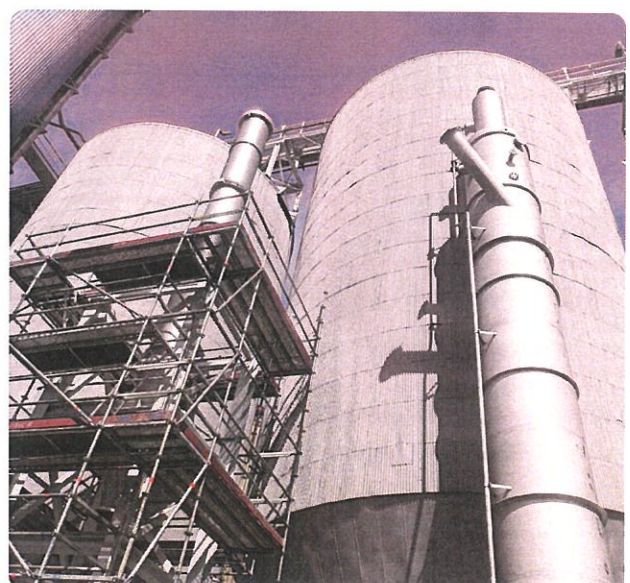
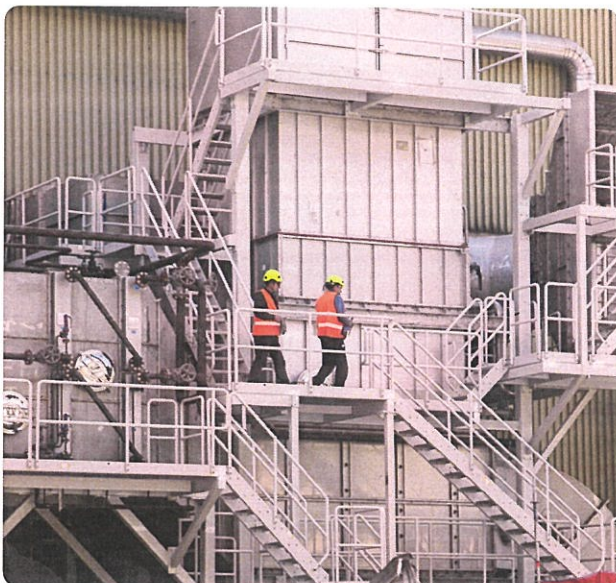
# Strategic INVESTMENTS

## INVESTMENT IN NEW CONTAINERBOARD MACHINE AND PULP MILL UPGRADE

At the end of 2018, Mondi SCP has officially started the construction of its new paper machine PM19. Once finished, the mill will diversify its product portfolio by adding a new containerboard grade named Kraft Top White for corrugated packaging applications. This product will be a result of the investment in new containerboard ECO plus project, an overall investment of €340 million including pulp mill expansion and the new paper machine.

### Pulp mill upgrade

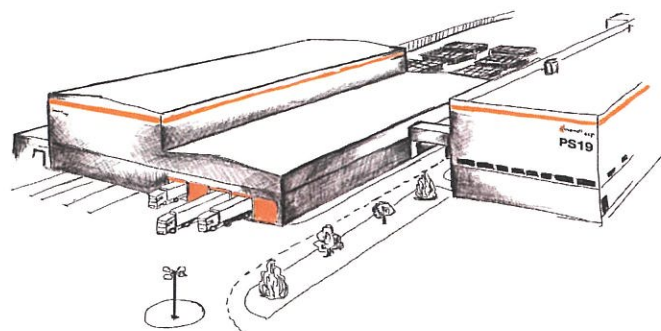
In September 2019, Mondi SCP announced planned annual maintenance works which were longer than in previous years due to a significant technological upgrade of the pulp mill. This increased its efficiency even further, preparing for the start of a new paper machine in 2020. Over 300 projects and over 3,100 maintenance jobs were implemented during the planned shutdown, with up to 2,500 contractors working on site. The parts which were most affected by the modernisation were: wood-yard, cooking plant, fibre line, drying machine, evaporation and caustification. The project increased the pulp production from 1620 to 1996 ADt/day.



## New containerboard machine PM19

We have also made big progress with the work on PM19. The new paper machine PM19 is expected to start production towards the end of 2020. Its production capacity is 300,000 tonnes per annum. Once in operation, the mill will significantly increase the ratio of raw materials used for corrugated packaging applications of its products, in addition to an already existing strong base of uncoated fine paper products. It will also mean a diversified raw material base for the mill consisting of the already used wood-based virgin fibre plus the use of paper for recycling.

This investment will enable us to further develop our containerboard portfolio and serve a growing market with innovative and sustainable containerboard solutions.



**SUSTAINABLE**  
**by DESIGN**



We have  
a clear VISION

## MONDI SCP GROUP KEY INDICATORS

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

Group operating profit for the year 2019 was 25% below the prior year level. The development of the sales prices, lower demand for the paper and pulp and increased prices of raw materials negatively influenced the operating income.

<b>PULP AND PAPER PRODUCTION DEVELOPMENT in thousands of tons *</b>	<b>2019</b>	<b>2018</b>
Pulp	542	578
Paper	847	905

\* Including MONDI NEUSIEDLER a YBBSTALER ZELLSTOFF production

Pulp production decreased to 542 thousand tons in 2019. Main reason for the decline was a significant upgrade of the fibre line, wood yard and drying machine which led to a longer annual shut down.

In 2019 the production of paper reached 847 thousand tons which is a 6% decrease compared to 2018. The drop was caused by the longer annual shutdown and start-up of upgraded pulp production.

Our ambitious capital expenditure programme remains on track. Having commissioned the pulp mill upgrade in the second half of 2019, we are making good progress on the related investment in a new 300 thousand tons containerboard paper machine starting the production as early as the last quarter of 2020. The new paper machine PM19 will be an important milestone as we expand our portfolio with a new and unique product to the 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 an own research and development (R&D) centre.

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

Mondi has a clear vision ahead. We want to contribute to a better world, be an employer of choice and we want to be the global industry benchmark for packaging and paper. Safety and our ambition of sending everybody home safely every day remains our top priority. We are among the safety leaders in our industry but there are still instances of unsafe behaviour. There can simply be no exceptions and no shortcuts.

Main risk identified by Mondi SCP is the unfavourable market situation in declining paper consumption and pressure on sales prices. Solving the aging of the existing workforce together with need for new employees in connection with investments is also difficult given the limited availability of a skilled workforce in Slovakia.

Prognosis for the future development are however rather positive. Mondi SCP is investing in a new containerboard machine for kraft top white paper in Ruzomberok, which will diversify the product portfolio and represent a significant step into the packaging paper markets.

BASIC FINANCIAL INDICATORS (IFRS) in thousands of EUR	Mondi SCP Group		Mondi SCP	
	2019	2018*	2019	2018*
Earnings from sales and services and other earnings	776 366	829 767	501 786	532 600
Net profit	66 396	72 612	65 632	87 743
Total assets	932 196	885 002	867 260	765 400
Non-current assets	678 808	533 161	681 368	497 878
Current assets	253 388	351 841	185 892	267 522
Total liabilities	932 196	885 002	867 260	765 400
Total payables	325 222	322 203	213 467	176 620
Equity	606 974	562 799	653 793	588 780
Average number of employees	1 952	1 883	1 216	1 129

\* Restatement of the comparable financial statements due to correction of prior period error

Non-current assets primarily increased as a result of capital expenditures with aim to extend the pulp production and installation of a new paper machine, which were higher than the accumulated depreciation.

Significant increases in wood and chemical prices as well as increases in fixed costs and lower green energy income resulted in a decrease of the company profit.

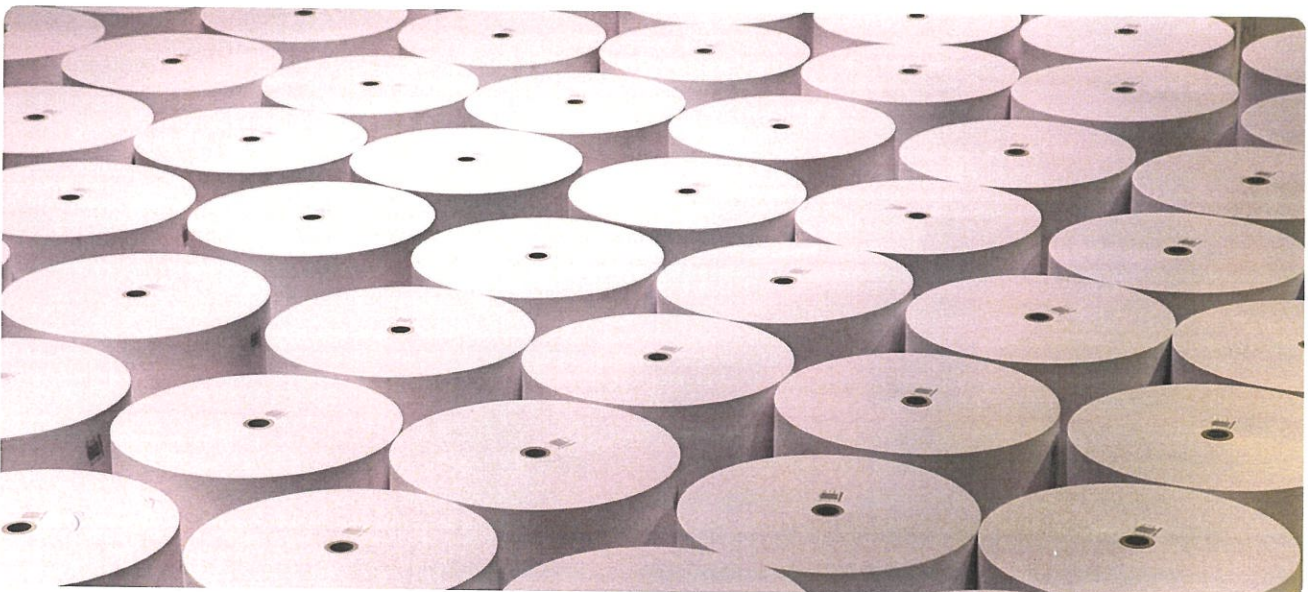
The decrease in current assets is mainly coming from lower receivables due to lower sales and lower cash caused by the investment.

Mondi SCP Group duly fulfilled its obligations towards all its creditors in 2019.

The growth of the shareholder's equity is attributable to the net profit. As of December 31, 2019, the share of equity in the total assets reached the level of 65% 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 propose the 2019 profit distribution at the Annual General Meeting.**



# SUBSIDIARIES

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

**The daughter companies Mondi Neusiedler GmbH and Ybbstaler 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 the individual companies.

As well in 2019, the subsidiaries of Mondi SCP Group were closely connected with their parent company since a substantial part of their production and performance was realised directly with the parent company. Mondi SCP Group thus used the competitive advantage of this connection to improve the results of the whole Group.

## MONDI NEUSIEDLER GmbH

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

## SLOWWOOD RUŽOMBEROK, a.s.

SLOWWOOD 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 sustainable forestry. All activities of the company are carried out with the full support and in cooperation with the parent company Mondi SCP, a.s.

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

In 2019 SLOWWOOD Ružomberok, a.s. purchased 2 million m<sup>3</sup> of wood which is a slightly lower volume compared to 2018. Almost the entire volume of the purchased wood was delivered to Mondi SCP, a.s. while the largest share was hardwood pulpwood.

## SLOVPAPER RECYCLING s.r.o

In 2017 Mondi SCP group acquired a 100% stake of Slovpaper Recycling s.r.o. with the seat in Ružomberok, Slovakia. The company is collecting and trading recycled paper. Slovpaper Recycling s.r.o. has a share in 2 joint ventures.

## OBALY S O L O, s.r.o.

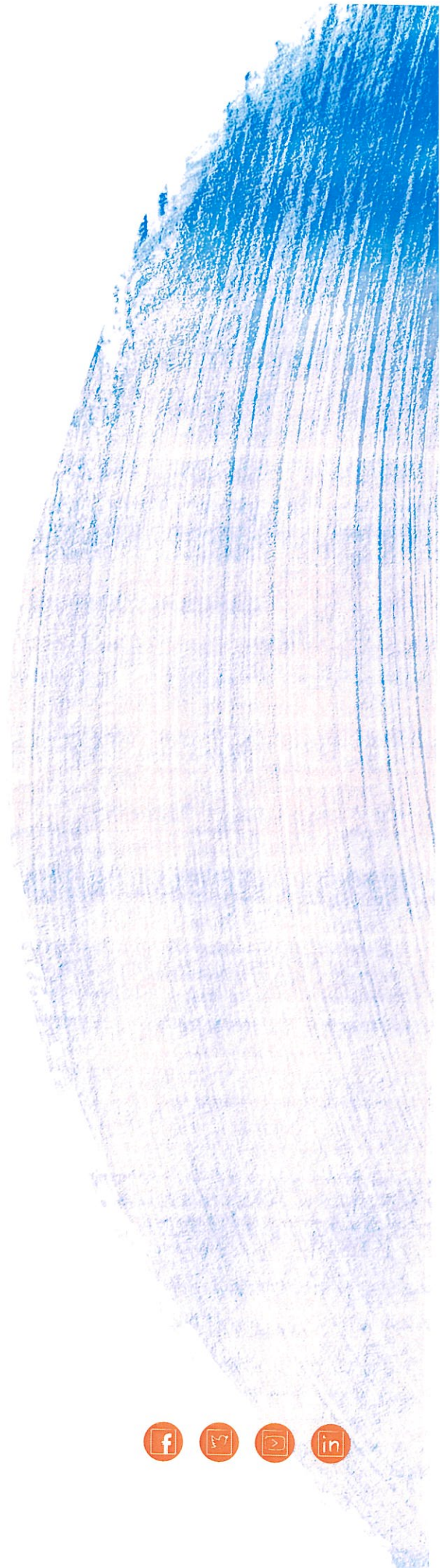
Obaly S O L O, s.r.o. is a subsidiary of Mondi SCP, a.s. and its core business activity is the production of printed and extruded packaging materials mainly for the parent company. Its activities are carried out with full support and in cooperation with the parent company. The whole production operates 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. In October 2019 Mondi SCP, a.s. acquired the production part of the business from Obaly Solo, s.r.o aiming for synergies and the decrease of complexity.

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

By the end of 2019, the first reports on a limited number of cases of unknown disease in China (later referred to as COVID-19, Coronavirus) were reported to the World Health Organization. During the first months of 2020, the virus spread worldwide. The Company has assessed the consequences of the spread of the virus as an event after the end of the reporting period that does not require adjustment to the financial statements. The Company is currently unable to fully assess the consequences of the expansion of Coronavirus on its future financial position and operations, but, depending on further developments, the impacts may be negative and significant.

In Ružomberok, April 15, 2020





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