Mondi Świecie Group

Report on Business Activities of the Group for 2011

13 February 2012

CONTENTS

1. BACKGROUND

As of the balance sheet date Mondi Świecie Group is composed of:

- parent company – Mondi Świecie S.A., and
- subsidiary – Świecie Recykling Sp. z o.o.,
- associated company – Polski System Recyklingu – Organizacja Odzysku S.A.

The consolidated financial statements as of 31 December 2011 cover the following companies:

a) parent company – Mondi Świecie S.A.,

b) company valued with the full method – Świecie Recykling Sp. z o.o.,

c) company valued with the equity method – Polski System Recyklingu – Organizacja Odzysku S.A.

Mondi Świecie S.A. was established at the beginning of the nineteen nineties. In January 1991, the state-owned entity - Zakłady Celulozy i Papieru w Świeciu - was transformed into a joint-stock company owned entirely by the State Treasury. In April 1997, 15% of the Company's shares were floated on the Warsaw Stock Exchange. In August 1997, a majority stake of shares was sold to a strategic investor, Framondi NV of the Netherlands. The Company was renamed Frantschach Świecie.

In November 2004, the Frantschach Group and Mondi Packaging Europe Group merged to form the Mondi Packaging Group with the common brand and logo. As a result of the merger, the Company changed its name from Frantschach Świecie S.A. to Mondi Packaging Paper Świecie S.A. on 20 January 2005.

The Frantschach Group was wholly owned by Mondi - one of the leading paper and packaging companies. Mondi was a member of Anglo American plc, the worldwide leader in mining and natural resources industry, till the end of June 2007. On 25 June 2007, the Extraordinary Meeting of Shareholders of Anglo American plc, with the Mondi Group being its member, approved demerger of the Mondi Group from Anglo American plc and decided to list Mondi on the London and Johannesburg Stock Exchanges on 3 July 2007.

On 16 May 2008, the Registration Court registered the rebranded Company's business name - Mondi Świecie S.A.

Świecie Recykling commenced its business activities in January 2002 based on the Recovered Paper Purchasing Department of Frantschach Świecie S.A. Frantschach Świecie S.A. (now Mondi Świecie S.A.) took over 100% of shares in the limited liability company (Świecie Recykling), thus becoming its sole shareholder. Świecie Recykling is the major domestic supplier of recovered paper, being one of the key raw materials for paper production, for Mondi Świecie S.A. In December 2004, the Extraordinary General Meeting of Shareholders adopted the resolution regarding rebranding of this subsidiary from Frantschach Świecie Recykling Sp. z o.o. to Świecie Recykling Sp. z o.o. The new name was registered in KRS (National Court Register of Companies) on 6 January 2005.

2. CORE PRODUCTS

2.1. Industry

In line with the strategy implemented by Mondi Świecie S.A., the Group's activities are focused on manufacturing containerboard. The Group is the Polish leader in its own products and a significant European manufacturer of containerboard.

The Group also manufactures sack paper, whose output in 2012 should be reduced in line with Mondi Group's strategy of grade consolidation. However, the intention is to focus on manufacturing lightweight kraftliners (with a basis weight below 100 gsm) on the fast-growing segment of paper bags and other applications.

The substantial improvement in paper quality was made thanks to the implementation of the capital investment programme, which allows the Group to effectively compete with leading paper producers in Europe and worldwide.

The start-up of ECO7 in September 2009 allowed increasing capacity in 2010 to 1.3 million tonnes and in 2011 to 1.4 million tonnes.

The following trends on the main product markets are identified:

- Sack Paper:
  - Since the Group focus is on manufacturing containerboard, the output of sack paper decreased by 6.6 thousand tonnes compared to 2010.
- Kraftliner:
  - It is one of the Group's core products. In 2011, its share in the sales volume was 33%. In 2011, the sales volume of this product decreased, whereas its prices increased.

- Recycled papers:
  - The popularity of this group of papers on the packaging market is rising systematically (average dynamics of growth over last 15 years was approx. 6.5% annually) and now it comprises approx. 68% of total containerboard consumption.
  - Major factors supporting the substitution of virgin fibre-based grades (Kraftliner, Semi-chemical Fluting) with recycled papers (Testliners, KraftTop X, WB Fluting) are lower prices for the latter grades and their improved quality. Another important factor is a rising environmental awareness of communities, which has a real impact on consumer preferences and their purchasing-related decisions.
  - Recycled papers are the dominant product group on the Polish containerboard market.

2.2. Product types

Containerboard papers are sold under the common name "ProVantage" used across the entire Mondi Group:

⇨ Containerboard:

- ProVantage Kraftliner (virgin fibre-based paper with an addition of recycled fibre for outer layers of corrugated board),
- ProVantage Kraftliner XLite (lightweight, virgin fibre-based paper for outer layers of corrugated board),
- ProVantage Kraft X (lightweight, virgin fibre-based paper with the addition of recycled fibre for outer layers of corrugated board and for manufacture of paper bags),
- ProVantage Kraftliner Aqua (virgin fibre-based paper with the addition of recycled fibre for outer layers of corrugated board, with increased moisture resistance, offered as a substitute for paraffin-coated papers),
- ProVantage KraftTop X (virgin and recycled fibre-based paper for outer layers of corrugated board),
- ProVantage Testliner 3 (recycled fibre-based paper for outer layers of corrugated board),
- ProVantage Fresco Fluting (paper with increased parameters, made of semi-chemical and OCC pulp for inner layers of corrugated board),
- ProVantage Fluting WB (recycled fibre-based paper for inner layers of corrugated board),
- ProVantage Fluting Aqua (paper for inner layers of corrugated board, made of semi-chemical pulp, with increased moisture resistance, recommended as the substitute for paraffin and resin-coated Flutings).

2.3. The position of the Group in the sector and compared to the competition

ECO7 that manufactures lightweight recycled paper, and is the response to the increasing industrial demand for such grades allowed significantly increasing the Group's competitiveness in Central-Eastern Europe.

The Group still offers innovative "Aqua" products (ProVantage Kraftliner Aqua and ProVantage Fluting Aqua) that are primarily designed for the manufacture of fruit board packaging. Their characteristic features are increased moisture and water resistance. In October 2011, a modified product, ProVantage Kraft X, was introduced. It is designed for the production of paper bags. This is a fast-growing, ecological, packaging segment on the European market.

The position of the Group in the sector and compared to the competition in particular groups of products is as follows:

CONTAINERBOARD:

<u>Kraftliner</u>

– ProVantage Kraftliner (virgin fibre-based paper for outer layers of corrugated board) - the Group's core product – Sales in 2011 reached 33% of the total sales volume, i.e. down 2% (442.8 thousand tonnes in 2011 versus 452.8 thousand tonnes in 2010).
– Provantage Kraft X (lightweight, virgin fibre-based paper with the addition of recycled fibre for outer layers of corrugated board and for the manufacture of paper bags). Thanks to the ecological trend in Europe towards reducing the manufacture and use of plastic bags, there are good prospects for this product's future success. In 2011, its sales volume reached 2.3 thousand tonnes.

- ProVantage Kraftliner XLite – thanks to this paper's exceptionally high strength parameters and very low basis weight, it offers corrugated board manufacturers an additional benefit - more m^2 of corrugated board to be made from one tonne of paper. In the audited period, the sales volume of this paper amounted to 24.8 thousand tonnes, i.e. up 24% compared to 2010.
- ProVantage Aqua Kraftliner – an innovative product introduced to the Company's product portfolio in 2005. In 2011, the sales volume of this product amounted to 5.4 thousand tonnes, down 14% compared to the sales level in 2010.

Semi-chemical Fluting

- ProVantage Fluting Fresco - this paper is designed, among other things, for fruit packaging that needs increased moisture resistance. In the audited period, the sales volume of this product reached 162.4 thousand tonnes, i.e. up 5.4% compared to 2010.
- ProVantage Aqua Fluting – an innovative product introduced to the Company's product portfolio in 2005. The sales volume of this product in 2011 reached 23.8 thousand tonnes, up 10% compared to 2010.

Recycled fibre-based papers

- ProVantage Testliner 2: this grade was not produced in 2011. In 2010, its sales volume reached 4.4 thousand tonnes.
- ProVantage Testliner 3: in the audited period, the sales volume increased by 4% (from 178.6 thousand tonnes in 2010 to 185.1 thousand tonnes in 2011).
- ProVantage WB Fluting: in the audited period, the sales volume increased by 13% (from 245.8 thousand tonnes in 2010 to 277.6 thousand tonnes in 2011).
- ProVantage KraftTop X – very good quality virgin and recycled fibre-based paper for outer layers of corrugated board – the sales volume reached 199.0 thousand tonnes, up 15% (compared to 173.4 thousand tonnes in 2010).

Containerboard products are sold to many foreign manufacturers. Containerboard sold abroad accounted for 67.8% of the sales volume.

On the domestic market, 76.6% of the sold volume of containerboard is recycled papers. The main domestic competitors are Stora Enso Poland S.A. and foreign manufacturers, mainly from Germany and Hungary.

SACK PAPER:

- The product is fully made from virgin fibre. The main competitor on the domestic sack market is Stora Enso Poland S.A.
- The sales volume in 2011 reached 34.8 thousand tonnes, down 16% compared to 2010. Due to the implementation of Group's strategy and the fact that Mondi Świecie S.A. focuses on manufacturing containerboard, production of sack paper has ceased since January 2012.

After the periodic paper market stagnation caused by the global economic crisis, paper prices were quite stable, with an upward trend in the first half-year of 2011. Another economic slump and prospects of another recession means paper prices have been dropping since the fourth quarter of 2011.

In line with the Group's strategy, the focus was placed on providing a wide-range Service to our Customers in 2011. We commenced work on the "ONE" Project with the aim of optimising and harmonising all logistics and sales-related processes, which should strengthen our position in the near future. In spite of the growing prices of raw materials (pulpwood logs, recovered paper) and of transport services, the Group's competitiveness remains at quite a high level thanks to the consistent implementation of the long-term sales strategy by the Management Board.

2.4. Structure of sales

In 2011, the structure of product sales of the Mondi Świecie Group by major groups of products was as follows (in thousand tonnes):

Product group	2011	2010
Sack paper	35	41
Kraftliner	475	479
Semi-chemical fluting	186	176
Recycled paper	662	602
Total	**1358**	**1298**

2.5. Sales markets

In 2011, the export share of finished products (by volume) remained at a level similar to that of the previous year:

Year	2011	2010
Export share	67%	66%

In 2011, the sale of paper grades manufactured by the Group was still focused on European markets (including the Polish market). The sales volume to these markets in the audited period accounted for 87.5%.

In the audited period, the geographical structure of revenues from the sale of paper by Mondi Świecie S.A. by main sales markets is as follows:

Country	Share in gross revenues
Poland	31.0%
Germany	14.0%
Italy	6.1%
Benelux	5.2%

France	5.1%
Great Britain	5.1%
Sweden	3.6%
Turkey	3.5%
Israel	2.5%
Finland	2.1%

Sales to the above-mentioned markets accounted for 78% of Group's gross revenues from the sale of paper.

In the audited period, the domestic market share in the revenues from the sale of paper remained at a similar level and accounted for 31.0% in 2011 versus 30.8% in 2010, whereas the domestic market share by volume decreased by 0.9 %. This resulted from the increase in the prices of recycled papers such as Testliner and WB Fluting, which was clearly higher than that applied to other grades.

3. SIGNIFICANT IMPACTS ON THE ACHIEVED RESULTS

3.1. Analysis of sales revenues

In 2011, the Group's sales revenues totalled PLN 2, 771.1 million, which was 22.4% higher than the figure of PLN 2, 263.7 million posted in 2010. The change resulted from an increase in both product sales revenues and goods and materials sales revenues.

In 2011, the revenues from the sale of products advanced by PLN 475.0 million (up 21.1%) when compared to 2010. The primary factors contributing to the increase were the rise in the revenues from the sale of finished products (up PLN 450.3 million), positive difference on exchange rates from the valuation and settlements of receivables (up PLN 24.5 million).

Higher revenues from the sale of finished products chiefly resulted from the rise in prices for all the grades of paper manufactured by the Group and, to the lower degree, from the higher sales volume.

The share of paper sales in total sales revenues was 92%.

In 2011, the weighted average price denominated in EUR increased by 13.1% when compared to the last years' level. Due to the weakening of Polish zloty against the euro (by 2.8%), the price denominated in PLN rose by 16.3%. Higher prices in EUR applied to all the Group's papers. The price for recycled grades such as Testliner and WB Fluting increased by 20.6% on average, chiefly because of a sharp rise in recovered paper prices in the reporting period. The prices of the Group's other grades also rose. Prices increased as follows: Kraftliner by 8.6 %, Kraft Top X by 15.0%, and Fresco Fluting by 14.9%. The price of sack paper rose by 17.3%.

In 2011, the paper sales volume climbed by 59.5 thousand tonnes (up 5%) year on year, while the production output rose by 54.5 thousand tonnes (up 4%).

In 2011, the revenues from green (renewable) energy and red energy (co-generated with heat) certificates totalled PLN 137.6 million. These revenues compare with PLN 139.3 million in 2010. The increase of PLN 19.0 million in the revenues from green certificates originated primarily from separating, at the beginning of 2011, the new units generating electric energy from renewable sources. This allowed obtaining an increased number of green certificates from biomass burning in the CFB and BFB boilers. Another important cause was the higher output of pulp, which resulted in a rise in Recovery Boiler steam generation and thus in an increased output of electric power. The revenues from the sale of red certificates in 2011 are decidedly lower (by PLN 20.7 million) compared to the previous year. Sales in 2010 were affected by a one-off event, which was the allocation by the Energy Regulatory Office of certificates in arrears for 2008-2009 for the total amount of PLN 13.5 million. However, since the half-year of 2011 the prices of red certificates have been dropping significantly, which adversely affects the sales value and the valuation of certificates on stock. The increase in the output of finished products and pulp only partially offset the negative impacts of the above-mentioned events on the value of sales of red certificates.

The Group's revenues from the sale of goods and materials in 2011 totalled PLN 45.9 million, compared to the revenues of PLN 12.7 million in 2010. One of the major factors was the increase in the revenues from the sale of CO_2 emission allowances, which also included the surplus generated in 2008-2010.

In addition to the sale of paper, green and red energy certificates and CO_2 excess emission allowances, the Group obtains revenues from lease, sale of electric energy, heat and by-products – primarily resin soap and turpentine.

3.2. Analysis of other income statement items

3.2.1. Production volume

The production volume for main groups of products (in thousand tonnes) was as follows:

Products	2011	2010
Containerboard	1 333	1 272
Sack paper	35	41
Total	**1 368**	**1 313**

The significantly increased production output of containerboard (when compared to the analogical period of last year) chiefly results from the optimisation of performance of the new paper machine – PM7 – the output of which in 2011 was 465 thousand tonnes of paper. This figure is higher by 54 thousand tonnes than the output in 2010.

3.2.2. Basic raw materials and services

Basic raw materials used in production are as follows:

- Wood (Pulpwood): In view of the insufficient supply of wood on the domestic market, the Group had to satisfy its needs through the less cost-effective import of raw materials.

  In 2011, the Group's wood purchasing volume grew by 8% year on year. The rise is attributable to the rebuilding of raw material stocks. In the reporting period, the purchase prices of pine and birch rose by 18% on average compared to the price level in

2010. The rise in the average price reflects the price increase from specific supply sources. The State Forest Enterprise remained the key pulpwood supplier.

- Recovered paper: In the period under review, recovered paper was acquired through Świecie Recykling. In the reporting period, the average purchase price of recovered paper increased by 17% compared to 2010.
- Coal: In 2011, the average price of coal increased by 24% compared to 2010. The Group continued its supply sources diversification policy through coal import.
- Biofuels: Biomass was obtained mostly from sawmill sources (bark, wood strap and chips). The remaining portion of biofuels was generated in the internal woodworking and paper production processes. In the period under review, energy generated by the Group from renewable sources accounted for approx. 83%. This performance gave rise to the additional revenues from the sale of green energy certificates.
- Transportation of finished products: In 2011, the Group's expenditures incurred for transportation of finished products increased by approx 17.1% compared to the previous year. The rise in transportation costs was primarily the result of the increase in the average transportation rate and to a lower extent of the rise in the sales volume. The average transportation rate denominated in EUR rose by 8.7% compared to 2010. The rise in fuel prices was the major factor contributing to the change in the average transportation rate.

The impacts of the above-mentioned factors (as discussed above: the changes of the prices of products and raw materials and hedge) were reflected in the net profit of PLN 395.9 million compared to the profit of PLN 249.3 million generated in 2010.

4. INFORMATION ON OTHER EVENTS THAT TOOK PLACE IN 2011

4.1. Information on significant agreements

In the reporting period the following agreements were signed with Państwowe Gospodarstwo Leśne Lasy Państwowe (State Forest Enterprise) with its registered office in Warsaw and State Forest Enterprise subsidiaries:

- Wood purchase contracts based on the first and second phases of Internet-based negotiations for the second half-year of 2011 with the total value of PLN 38.9 million. As security for State Forest liability the Group signed a bank guarantee facility agreement of up to PLN 18 million, issued by the bank for the benefit of the State Forest Enterprise;
- Wood purchase contract for the second half-year of 2011 entered into on Internet-based system auctions with the value of PLN 60.4 million. As security for State Forest liability a bank guarantee facility agreement of up to PLN 18 million was entered into and the guarantee facility was issued by the bank for the benefit of the State Forest Enterprise;
- Wood purchase contract based on the first phase of Internet-based negotiations for the first half-year of 2012 with the value of PLN 46.3 million. As security for State Forest liability a bank guarantee facility agreement of up to PLN 18 million was entered into and the guarantee facility was issued by the bank for the benefit of the State Forest Enterprise;

In addition, the Management Board of Mondi Świecie S.A. entered into:

- on 11 February 2011, a new three-year Guarantee Facility Agreement that covers the existing nine-year credit from the European Investment Bank dated as of 30 June 2008 for the amount of PLN 521.8 million with the following banks: RBS Bank (Polska) S.A., the Royal Bank of Scotland NV, BRE Bank S.A., Bank Polska Kasa Opieki S.A., and Raiffeisen Bank International AG. After the new Agreement becomes effective (after conditions precedent are fulfilled), the existing, valid three-year Guarantee Facility Agreement as of 30 June 2008 (annexed on 30 October 2009, 30 June 2010 and 30 September 2010) will terminate;
- an additional agreement to the Credit Agreement with Mondi Finance plc (previous name Mondi Finance Ltd) as of 29 October 2009 with the credit limit of PLN 200 million, that extends the period of credit's availability till 31 March 2014;
- Credit Facility (Overdraft) Agreement with the credit facility of PLN 60 million, available by 1 February 2012, with RBS Bank Polska S.A. with the registered office in Warsaw.

4.2. Changes in organisational and capital relationships

In the reporting period no changes were made.

4.3. Related party transactions

Revenues from sales to Mondi Group companies (in thousand PLN):

Mondi Packaging Paper Sales GmbH	1 745 357
Mondi Packaging Swiecie Sp. z o.o.	93 039
Mondi Packaging Warszawa Sp. z o.o.	75 918
Mondi Packaging BZWP Sp. z o.o.	45 113
Mondi Packaging Szczecin S.A.	44 097
Mondi plc	39 425
Mondi Packaging Dorohusk Sp. z o.o.	31 525
Mondi Bags Świecie Sp. z o.o.	29 900
Mondi Bags Mielec Sp. z o.o.	14 028
Mondi Wierzbica Sp. Z o.o.	7 167
Slovwood Ružomberok, a.s.	1 349
Mondi AG	468
Mondi Coating GmbH	259
Mondi Packaging Solec Sp. z o.o	33
Mondi Coating Steti A.S.	17
Mondi Uncoated Fine & Kraft Paper GmbH	15
Mondi Corrugated Services GmbH	10
Mondi Gruenburg GmbH	10
Total	**2 127 730**

4.4. Credits, loan agreements, sureties and guarantees

Credits and loans

As of the reporting date the Group had the following loan agreements signed:

- with European Investment Bank – a nine-year credit facility for financing the costs of construction of a new paper machine, PM7, for the amount of PLN 474.3 million (secured with a three-year guarantee facility for 110% of the credit from the following banks: RBS Bank (Polska) S.A., the Royal Bank of Scotland N.V., Bank Polska Kasa Opieki S.A., Raiffeisen Bank International AG and BRE Bank S.A.). This credit facility was valued at PLN 418.2 million in the balance sheet as of 31 December 2011 (nominal value of PLN 417.4 million, increased with the reserve for interests of PLN 0.8 million). As per the time schedule, the Group paid the first three quarterly instalments in 2011;
- Loan from Mondi Finance plc (a Mondi Group plc entity – the major shareholder of Mondi Świecie S.A.) with the credit limit of PLN 200 million.
- Credit Facility (Overdraft) Agreement with RBS Bank (Polska) S.A. with the credit facility of PLN 60 million.

Consumption of credit facilities and loans in thousands PLN			
	Available	Consumed	%
Short-term	136 717	77 707	57%
Long-term	541 531	341 531	63%
Total	**678 248**	**419 238**	**62%**

Bonds

In the reporting period the Group did not issue any bonds. As of 31 December 2011, the Group did not carry out any bonds.

Guarantee facilities

Information on contingent liabilities (guarantees and sureties) is presented in the "Consolidated Financial Statements of the Group for 2011" under item 30.

4.5. Utilisation of inflows from issue of securities

In the reporting period the Group did not issue any securities.

4.6. Variances from the last published forecast

No forecasts were published in the reporting period.

4.7. Management of financial resources and liquidity assessment

In 2011, the Group generated surplus cash inflows from operating activities, which allowed providing the debt service on due dates and locating cash in short-term deposits. As of 31 December 2011, the available credit facilities and loans were 62% consumed. The remaining credit reserve of approx. PLN 259 million, increased with the balance of cash and cash equivalents (PLN 489 million) as well as stable sales revenues ensure the Group's unfailing liquidity.

Main financial indicators:

	31.12.2011	31.12.2010
Return on Sales	14%	11%
Return on Equity	28%	21%
Total assets turnover ratio	1.02	0,98
Debt/ total assets ratio	33%	38%
Equity/ total assets ratio	67%	62%
Quick ratio	1.66	0.89

4.8. Possibility to implement investment projects

Over the next 12 months the planned expenditures for non-financial fixed assets, under a cash basis, will amount to PLN 121.7 million and will be financed by the Group's own resources.

4.9. Information that is essential for the evaluation of the personnel related situation, assets related situation, financial condition, financial results and changes in the situation as well as information that is essential for the evaluation of the possibility of paying liabilities

The Group's financial results in 2011 reflect the good economic situation on the European paper market throughout most of the year. Throughout the last period, the average paper sales price increased compared to the previous year; however, the characteristic feature for the last quarter of 2011 was a declining trend. In 2011, the prices of basic raw materials, namely wood and recovered paper increased, although the price increase dynamics were significantly weaker than those of the previous years. The prices of transport services grew considerably. The sale of excess CO_2 emission allowances strongly contributed to the financial performance of 2011.

In the last period, the assumptions regarding the production area, including further progress in ECO7 performance optimisation, came true fully.

To further optimise manufacturing costs, the Management Board of the Company decided to commence the process with the aim to buy back the shares in the entity that owns the Power Plant assets, which provides services to the Company and is covered by a long-term contract of lease.

4.10. Factors and untypical events impacting the result

In 2011, no untypical events and factors impacting significantly the Group's result occurred.

4.11. Activities in the Special Economic Zone

Due to the execution of the investment project (PM7 machine), Mondi Świecie S.A. was granted, on 20 December 2007, the permit to run economic activities in the Pomorska Special Economic Zone. Thus, the Company was granted the entitlement to be exempt from income tax for some part of its income. The existing enterprise of Mondi Świecie S.A., as well as the areas acquired from State Forest Enterprise, were included into the area of the Pomorska Special Economic Zone in pursuance with the Regulation of the Council of Ministers of 2 November 2007 amending the Regulation regarding the Pomorska Special Economic Zone (Journal of Laws 2007 no. 211 item 1545).

The above-mentioned permit authorised Mondi Świecie S.A. to obtain public aid, which comprises the exemption from corporate income tax starting from the following month after the month when conditions of bearing capital expenditures and reaching the specific employment level have been fulfilled. Mondi Świecie S.A. fulfilled the above-mentioned conditions in July 2009 and was granted the entitlement to be exempt from the tax for the part of its income since August 2009 till the time for which the Pomorska Special Economic Zone was established, which is till 30 November 2017. Thus, the incomes from basic activities, i.e.

sale of finished products were exempt. The permit is now being examined by the European Commission for compliance of the public aid granted with the common market under Regulation (EC) No. 659/1999 laying down detailed rules for the application of Article 93 of the EC Treaty. The Group expects that this process will end in 2012.

In the event of the process prolonging beyond 2012, the total domestic limit for public aid (EUR 37.5 million) that may be granted to the Group with no necessity of obtaining the consent of the European Commission will be exhausted this year. Then, the entitlement of Mondi Świecie S.A. to be exempt from corporate income tax under the permit as referred above would be suspended till the European Commission procedure is closed. In this situation, the Group would pay monthly advance payments for corporate income tax in the amount that disregards the exemption, starting from the month when the allowed domestic limit was exceeded. Since the Group does not expect that the European Commission procedure will extend beyond 2012, the full amount of corporate income tax as covered by the exemption under the permit to run business activities in the Pomorska Special Economic Zone should be settled within the corporate income tax for 2012.

New investment project related expenditures are the basis for calculating the public aid pursuant to the rules specified in § 4 Clause 3 of the Regulation of the Council of Ministers of 5 December 2006 on the Pomorska Special Economic Zone (Journal of Laws 2006, no. 228 item 1667). Based on discounted expenditures incurred by 31 December 2011, Mondi Świecie S.A. was authorised to receive public aid that is not higher than the amount of PLN 247 853 thousand. The public aid comprising the exemption of the part of income from the corporate income tax may be consumed in the period of time over which Mondi Świecie S.A. shows the income from the activities covered by exemption, which is that the total income of Mondi Świecie S.A. less taxed income, not covered by the exemption, is positive. The calculated amount of public aid consumed by 31 December 2011 was PLN 91 802 thousand (this includes discounted amounts of corporate income tax exemption, real property tax exemption and the amounts of refunding the costs of equipment and providing equipment to workplaces). Out of this amount, the discounted value of exemption from corporate income tax was PLN 83 928 thousand (nominal value of exemption was PLN 104 119 thousand).

4.12. Description of the development and operating drivers

4.12.1. External drivers

The influence of external factors that are significant to the Group's operations and development is described under "Position of the Group in the sector and compared to the Competition".

4.12.2. Planned development of the Group

In 2012, the Group will continue to make progress by concentrating on four strategy pillars which comprise: strive for Operational Excellence, Customer Focus, Innovation and Human Resources Development.

One of the key activities for this year is to end our works on the preparation of the Group's long-term development strategy till 2020, both in the areas of paper production and ensuring the energy sources.

At the same time, in consideration of the depressed market, in particular in the fourth quarter of 2011, the Group will undertake initiatives to sustain the present high profitability of its activities through:

- Maintaining its position on key sales markets, in particular in Poland and EU states, among other things, by implementing initiatives that aim to improve the quality of products sold and service offered (harmonising logistics-sales processes under the ONE Project, extending make-to-stock offer), while keeping the price competitiveness;
- Further managing effectively the area of satisfying energy needs, including, among other things, through implementation of the Call Option of power generating assets from PEP S.A., responding actively to changing legislation;
- Improving the management of working assets of the Group and controlling operating costs more strictly;
- Searching for further sources of optimisation for the wood, recovered paper, biomass supply system.

The Management Board of the Group also puts a focus on people development and improving employee skills. For this reason, the Group has launched and has been implementing the Talent Management Programme. Also, the School of Leaders and E-learning have been launched. In addition, the Leadership Development Programme is being implemented across the organisation.

It is critical for the Group to increase employee safety. Based on the explicit “Zero Tolerance for Unsafe Acts” principle, the work safety and occupational hygiene growth strategy has been developed and is being implemented with the aim to improve working conditions on a continuous basis.

4.12.3. Achievements in the area of research and development

In 2011, the Group implemented the investment programme with the total outlays (capital expenditures) of PLN 39 million. The major capital projects included: the continuation of PM7 optimisation (Capex of PLN 10 million in 2011) and replacement of DCS at the Kraft Pulp Plant (Capex of PLN 3 million).

4.12.4. Current and expected financial position of the Group

As of the reporting date, the Group was in a good financial condition due to its operational efficiency, strong sector position, invariably positive cash flows on operating activities and improving financial liquidity ensured through a gradual reduction of external financing. The Group’s investment projects are the basis for maintaining the Group’s financial situation safe in the coming years.

4.12.5. Factors that will impact the Group’s results as expected by the Group

In the short-term, the financial condition of the Group will be significantly impacted by the trend of paper and basic raw material (wood and recovered paper) prices that will be either maintained or changed, PLN/EUR exchange rate stabilisation and optimisation of PM7 performance.

The Group's business is primarily exposed to the following risks:

- market risks (including foreign currency risk, interest risk),
- liquidity risk,
- credit risk.

Market risk

The Group is exposed to market risks related to prices of paper and basic raw materials and services, as well as foreign currency exchange and interest rates.

Paper price

Paper market is highly competitive, partly scattered, with a noticeable significant price fluctuation in the past, whose prices are strongly affected by the change in demand and foreign currency exchange rates. Thanks to its partial production diversification, the Group, depending on market prices, is prepared to offer a wide range of products, from fully recycled grades to products fully made of virgin fibre.

Prices of key raw materials and services

Key raw material prices, i.e. wood and recovered paper, energy and transport services, which are not fully correlated with the changes of paper prices, have a considerable influence on the Group's results and financial condition.

In particular, performance may be impacted by:

1) Sales Policy of the major wood supplier – the State Forest Enterprise,

2) Level of waste paper recovery and of exports of recovered paper,

3) Due to the power-consuming production: the coal and biomass prices, prices of CO_2 allowances, legal regulations regarding the support for energy generation from renewable sources and energy co-generated with heat,

4) Prices for transport services, both road and rail transport.

The Group has been undertaking a number of initiatives that in particular comprise diversification of raw material supply sources. Also, the activities are being taken to optimise energy costs. For this purpose, the Group has undertaken steps the aim of which is to exercise the Voluntary Call Option covering Saturn Management Sp. z o.o. i Wspólnicy to be bought back from PEP S.A. Saturn Management is the owner of the Power Plant that operates to satisfy Mondi Świecie needs and provides operating services to Mondi Świecie S.A..

Interest risk

The Group's exposure to the risk of changes in interest rates primarily relates to financial liabilities and short-term cash deposits. As of the balance sheet date, both items compensate significantly, thus reducing the Group's exposure to interest risk. The Group's policy is to manage the interest rate cost using both a mix of fixed and variable rates of interest.

Foreign currency risk

Due to the fact that approximately 67% of finished product sales transactions are performed in foreign currencies (EUR – 59%, USD – 8%), whereas the most of the costs are incurred in the reporting currency, especially in the situation where the exchange rate fluctuation is very high, the Group is exposed to the currency exchange risk and consequently to high variability of expected financial results. The foreign currency transactional exposure comprises mainly transactions denominated in EUR, USD and GBP (to a significantly lower extent).

The Group uses the hedging policy comprising the coverage of probable future capital expenditures (for investment projects the value of which exceeds EUR 5 million) and arising balance exposure.

The forward contracts that hedge probable future capital expenditures are classified as the cash flow hedge and hedge accounting rules are applicable to them. The hedge accounting rules do not apply to forward contracts hedging the balance exposure.

The derivatives used by the Group are valued according to the fair value. The fair value of foreign exchange forward contracts is determined in relation to the current forward rates for the contracts with a similar maturity date.

For a hedge of the probable future significant capital expenditures that meets the criteria of hedge accounting, the part of gains or losses on the hedging instrument, which was recognised to be the effective hedge, is directly booked to equity, whereas the part which was recognised to be ineffective is booked to the current period's financial costs or revenues. For cash flow hedge, gains or losses booked to equity are transferred to the value of investments commenced in the same period when the hedged probable capital expenditure is booked to the value of these investments.

Gains and losses caused by the change in the fair value of the transaction to which hedge accounting does not apply are booked directly to the current period's financial revenues or costs.

The Group discontinues applying hedge accounting principles when the hedging instrument has expired or has been sold, terminated or completed or when the hedge does not meet any longer the conditions allowing applying hedge accounting principles to such an instrument. In this event, total gains or losses on the hedging instrument, which have been booked hitherto on equity are still shown in equity until the forecast transaction is made. If the forecast transaction stops being probable, then total gains or net losses as booked to equity are transferred to the current period's net financial result.

Derivatives embedded in other financial instruments or contracts that are not financial instruments are regarded as separate derivatives if the nature of the embedded instrument and related risks do not directly relate to the nature of the basic contract and related risks and if basic contracts are not valued according to the fair value, the changes of which are booked to the income statement.

Liquidity risk

Liquidity risks result from the relation of working assets to short-term liabilities. As of 31 December 2011, the current ratio was 2.17 (compared to 1.45 at the end of 2010). As of 31 December 2011, the value of available credit lines of the Group amounted to PLN 678.2 million, whereas consumption of them was PLN 419.2 million.

High competitiveness of the Group and its strong market position ensure that operating liquidity will be kept and bank financing and co-operation with banks will be continued. The Group regularly monitors the future liquidity position – short and medium-term forecasts of inflows and expenditures in specific currencies are prepared, which are the basis for making decisions to use external financing such as credit tranches or overdraft.

Credit risk

The Group enters into hedging transactions and locates its deposits only with recognised, creditworthy financial institutions. As committed in the finance agreements (the three-year guarantee facility for the 9-year EIB credit) Mondi Świecie S.A. is obliged to carry out such transactions only with financial institutions involved in such financing or with Mondi Finance plc.

The credit risk related to the receivables is significantly limited due to the fact that the Group's export sales risk is fully covered by the distribution company - Mondi Packaging Paper Sales GmbH.

Domestic receivables from unrelated entities are covered by insurance and Customers are subject to the creditworthiness review procedure. Contractor receivables are regularly monitored by the financial service.

4.13. Management and Computerisation

In the reporting period, the projects with the aim to improve business processes, reduce operating costs of IT systems and increase their reliability were launched. Testing of the wood logs, chips and biomass laser measurement system for truck's deliveries was commenced. The monitoring system of strategic raw material deliveries was started-up. Work on the wood delivery receipt/ acceptance system with virtualisation of IT environment has begun.

4.14. Changes in basic management of the Company and its Group

In the reporting period no such events occurred.

4.15. Information on proceedings pending before the court, competent body for arbitration proceedings or public administrative body

On 4 February 2011, the Management Board of Mondi Świecie S.A. adopted the resolution concerning the Company's exercising the Voluntary Call Option ("Option"), as specified in the General Agreement of 29 April 2002 entered into by and between the Company and Polish Energy Partners S.A. with its registered office in Warsaw ("PEP") and Saturn Management Spółka z ograniczoną odpowiedzialnością i Wspólnicy, Spółka komandytowa with its registered office in Warsaw ("SM sp.k.").

As reported by the Management Board in the report as of 4 February 2011, the Call Option is to be exercised on the condition that the Arbitration Court of the Polish Chamber of Commerce renders a favourable award for the Company in the proceedings initiated by the suit brought by the Company against PEP for having it determined that the offer for sales of 100% shares of Saturn Management Sp. z o.o. with its registered office in Warsaw and of all rights and obligations of PEP as a limited partner in SM sp.k., which was submitted by PEP to the Company in execution of decisions concerning the Voluntary Call Option as specified in the General Agreement, has not expired and is binding for PEP on conditions laid down in the Company's suit that is the sales price is to be fixed on the formula provided in the General

Agreement. The suit regarding this issue was brought by the Management Board on 4 February 2011.

On 27 June 2011 PEP brought the counter-claim statement to the Arbitration Court of the Polish Chamber of Commerce against the Company. In this suit PEP requests the Arbitration Court to determine, as a principle, that the price for exercising the Option by Mondi covers the reimbursement to PEP of lost benefits from energy in renewable sources and co-generated energy. Moreover, PEP indicated in the above-mentioned counter-claim the detailed mechanism for calculating the Option price, which is in compliance with the general rules as specified in the previous clause.

On 13 February 2012 the Company received a favourable ruling from the Arbitration Court of the Polish Chamber of Commerce, dated 10 February 2012, that the offer for sales of 100% shares of Saturn Management Sp. z o.o. with its registered office in Warsaw and of all rights and obligations of PEP as a limited partner in SM sp.k., which was submitted by PEP on 29 April 2002 in execution of the General Agreement, is binding for PEP on conditions laid down in the Company's suit that is the sales price is to be fixed on the formula provided in the General Agreement. Consequently, PEP's counter-claim was dismissed by the court. The court decision is final, however it may be appealed in the civil court, based on the Civil Procedure Code. The decision fulfils one of the conditions precedent for realization of the Voluntary Call Option.

4.16. Agreements concluded between the Company and Members of the Management Board of the Company

The Members of the Management Board are entitled to compensation for not taking competitive activities against Mondi Świecie S.A. for 12 months after terminating the employment relationship, unless Mondi Świecie S.A. discharges them from this ban before contracts of employment expire.

4.17. Remuneration of Members of the Management and Supervisory Bodies

This information is presented under item 34 of "Consolidated Financial Statements for 2011".

4.18. Outstanding loans, guarantees and sureties granted to Members of the Management and Supervisory Bodies of the Company and their relatives

In the reporting period no such events occurred.

4.19. Shares held by Members of the Management and Supervisory Bodies

As at the balance sheet date, the Members of the Management and Supervisory Bodies held no shares in the Company.

4.20. Changes in the shareholding structure

In current report no. 19/2011 as of 28 September 2011, the Management Board of Mondi Świecie S.A. informed that on 27 September 2011 the Management Board was notified that ING Otwarty Fundusz Emerytalny (ING Open Contributory Pension Fund, ("Fund")) with

its registered office in Warsaw reduced their stake of shares in the Company constituting less than 10% of votes at the general meeting of Mondi Świecie S.A.. This results from the sales transactions concluded at the Warsaw Stock Exchange and settled on 22 September 2011.
Before selling the shares, the Fund owned 5,331,750 (five million three hundred and thirty one thousand seven hundred and fifty) shares of the Company, which was 10.66% of Mondi Świecie share capital and the Fund was entitled to 5,331,750 (five million three hundred and thirty one thousand seven hundred and fifty) votes at the general meeting of the Company, which was 10.66% in the total number of votes. On 27 September 2011, the Fund owned 4,998,750 (four million nine hundred and ninety eight thousand seven hundred and fifty) shares of Mondi Świecie on its securities account, which is 9.9975% of the share capital and entitles casting 4,998,750 (four million nine hundred and ninety eight thousand seven hundred and fifty) votes at the general meeting of shareholders of the Company, which is 9.9975% in the total number of votes.

The Mondi Świecie Group does not have any information on any contracts concluded in 2011 which in the future may cause that proportions of shares held by the present shareholders will change.

4.21. Information on the Controlling System for Employee Shares Programme

In the reporting period no such events occurred.

4.22. Agreements with the entity authorised to audit financial statements

On 9 June 2011, the Supervisory Board of Mondi Świecie S.A. appointed an entity authorised to audit and review Mondi Świecie S.A. and Mondi Świecie Group's semi-annual and annual financial statements – Deloitte Audyt Sp. z o.o.

On 29 June 2011, the Group concluded an agreement for the review of the shortened consolidated financial statements and shortened financial statements for the first half-year of 2011 with Deloitte Audyt Sp. z o.o. The total outstanding or paid remuneration under this contract for the reviews of the semi-annual financial statements of the Mondi Świecie Group amounted to PLN 117 thousand. In 2010, these costs amounted to PLN 115 thousand.

On 10 November 2011, the Group concluded a contract for the audit of the Company's annual financial statements, consolidated annual financial statements and consolidation package for 2011 with Deloitte Audyt Sp. z o.o. The total outstanding or paid remuneration under this contract for the audits of the annual financial statements and consolidation package of the Mondi Świecie Group amounted to PLN 363 thousand. In 2010, these costs amounted to PLN 388 thousand.

On 10 November 2011, Świecie Recykling Sp. z o.o. concluded a contract for the audit of the annual financial statements for 2011 with Deloitte Audyt Sp.z o.o. The total outstanding or paid remuneration under this contract for the audit of the annual financial statements of Świecie Recykling Sp. z o.o. amounted to PLN 42 thousand. In 2010, these costs amounted to PLN 41 thousand.

Furthermore, in 2011 the Group incurred the costs of PLN 109 thousand for Deloitte Group subsidiaries for other services than the audit of financial statements. Such a situation did not take place in 2010.

5. STATEMENT ON COMPLIANCE WITH THE CODE OF BEST PRACTICE OF CORPORATE GOVERNANCE

5.1. Code of Corporate Governance Best Practice that governs the Company and the location where the Code of Best Practice is available to the public.

In 2011, Mondi Świecie S.A. complied with the Code of Best Practice for WSE-listed Companies, as laid down in the Attachment to Resolution No. 17/1249/2010 of the Warsaw Stock Exchange Supervisory Board dated 19 May 2010, (excluding the rules specified in B), which is available at www.mondigroup.pl, Corporate Governance.

1) Fulfilment of the recommendations concerning the information policy and maintaining the company website

Mondi Świecie S.A. operates the Company's website that meets the requirements as specified in the Code of Best Practice and ensures access to important information on the Company and is one of the communication forms with the Company's Shareholders. Mondi Świecie S.A. publishes its current and periodic reports on the Company's website. Investor Relations at www.mondigroup.pl contain the calendar of the major financial events, periodic financial statements and information on current events in the Company. The Corporate Governance part of the website includes the Declaration on Compliance with the Code of Best Practice, corporate documents as well as documents regarding the General Meetings of the Company. All information and data published on the website is also available in English.

Pursuant to the requirement as laid down in Part II, Best Practice for Management Boards of Listed Companies, point 1 (14), Mondi Świecie S.A. has published on the Company's website the following information about the content of the Company's internal rule of changing
the company authorised to audit financial statements:
"The Company is subject to the rule of changing the company authorised to audit financial statements that applies to the Mondi Group. According to the rule, such an entity is chosen for all Group's companies from among renowned international auditing companies based on the financial criteria – offered price for auditing the financial statements of the companies".

2) Fulfilment of the recommendation concerning the remuneration policy and rules of defining the policy

Mondi Świecie S.A. adheres to the rules of defining the remuneration for the Company's employees that are compliant with the internal remuneration rules.

The remuneration rules for Members of Supervisory and Management Boards of the Company are compliant with the remuneration policy of the Mondi Group (of which the Company is member). The aim of the policy is to recruit and motivate competent directors complying with the best practice and at the same time consider the interests of Shareholders. The major rules of the policy, as defined and used by the Remuneration Committee of the Mondi Group that has non-executive directors of the Mondi Group as its members are as follows:

- Remuneration should be on a competitive level for a specific market,

- Remuneration structure, in particular the structure of the changeable part of the remuneration should depend on achievements, should take into account the interests of Shareholders and promote achievement of the Mondi Group business strategy.
- A considerable part of the remuneration should depend on achievement of short- and long-term objectives,
- When defining the remuneration for managerial staff of the Group, Mondi takes into account the salary conditions at various areas of the Mondi Group.

The remuneration of Members of the Management Boards of Mondi Group companies may be composed of fixed and changeable parts. Members of Management Boards of Group's companies are entitled to take part in the Bonus Share Plan (BSP). Under the BSP, the changeable part of the bonus is awarded against achievement of both individual and corporate targets (leading financial indicators and work and health indicators). Part of the bonus awarded may be paid immediately in cash and part is paid in deferred shares of Mondi plc (major company of the Mondi Group) which vest after three years subject to the executive remaining in the Group's service. The rules that apply to the changeable part of the remuneration and shares are determined by the Mondi Group Remuneration Committee.

The principle is that the employment relationship with Members of Management Boards is based on the employment contracts with a term of notice of several months. The severance pays are paid under the rules of the common labour law.

Members of the Company's authorities are appointed in compliance with the Company's Statute from among the candidates who have the appropriate professional knowledge and experience that ensure due performance of their duties. Information on candidates for Members of Mondi Świecie Supervisory and Management Boards is published on the Company's website.

3) Fulfilment of the recommendation concerning a balanced proportion of women and men in management and supervisory functions in companies

The Mondi Świecie S.A. standpoint is as follows:

When ensuring a balanced proportion of women and men in management and supervisory bodies, in accordance with Mondi Leadership Criteria, the Company regards professional and leadership competences as the major criteria of employment and promotion of employees, irrespective of gender. Thus, women have the chances of achieving professional success equal to men. Such actions are compliant with the rules of the Mondi Global Employment Policy. Under the rules, we are committed to:

- promote workforce equality and seek to eliminate all forms of unfair discrimination,
- recruit and hire the most appropriately skilled individuals, investing in their career development; seek to maintain a regular, two-way flow of information with employees to maximise their identification with and ability to contribute to our business; seek to maintain a balance in our work and family lives.

5.2. The extent to which the Company waived the Code of Best Practice, indication of such Practices and reasons for the waiver

The Management Board states that in 2011 the Code of Best Practice for WSE-listed Companies, as laid down in the Attachment to Resolution No. 17/1249/2010 of the Warsaw Stock Exchange Supervisory Board dated 19 May 2010, entitled “Code of Best Practice for WSE-Listed Companies” was complied with, excluding the rules specified below:

Part III “Best Practice for Supervisory Board Members”

Rule 6: Instead of the rule providing that at least two members of the Supervisory Board should meet the criteria of being independent, the Company has adhered for many years to the rule according to which the Company’s employees should have their representation in the Supervisory Board membership. Pursuant to §17 of the Company’s Statute, the General Meeting of the Company’s Shareholders appoints and dismisses the Supervisory Board Members, with 1/3 of Members from among the persons elected by the Company’s employees. The historical background for the Supervisory Board membership of the personnel representatives ensures that people who are not related to a strategic investor that has owned a majority of the Company’s shares since the privatisation participate in the adoption of resolutions of the Supervisory Board.

Rule 8: There are no Supervisory Board committees with membership of people who are independent Members of the Supervisory Board as understood in Rule 6.

Part IV “Best Practices of Shareholders”

Rule 1: The Company does not exclude the presence of representatives of media at the General Meetings, but the relevant decision shall be the responsibility of the Chairman of the General Meeting of Shareholders.

5.3. Basic characteristics of internal audit and risk management systems used in the Company to the preparation of financial statements and consolidated financial statements

The Management Board of the Company is responsible for the Company’s internal audit system and its effectiveness in relation to the preparation of financial statements and periodic reports that are prepared and published pursuant to Regulation of 19 February 2009 regarding current and periodic information to be reported by issuers of securities. The aim of the effective internal audit system in the financial reporting is to ensure that information presented in financial statements and periodic reports is adequate and correct.

In the preparation of the Company’s and Group’s financial statements one of the key audit components comprises the audit of the financial statements by an independent auditor. Such auditor’s responsibilities include: audit of semi-annual financial statements as well as preliminary and final audit of the annual consolidated and separate financial statements. The independent auditor is appointed by the Supervisory Board. After the audit, financial statements are sent to the Company’s Supervisory Board Members for their evaluation of the Company’s and Group’s financial statements.

Internal audit by the Internal Audit Department is a key component of the risk management in relation to the preparation of financial statements. The annual schedule of internal audits is made based on a risk assessment prepared jointly with the Management Board. In addition to scheduled audits, reviews are conducted that cover the implementation of prior audit recommendations as well as unscheduled audits are carried out if requested by the Management Board. Internal Audit prepares reports that include recommendations whose aim is to make audit mechanism more efficient. Such reports are delivered to the Management Board Members and the Audit Committee. Pursuant to the latest amendments to the Act on certified auditors and their self-government (Journal of Laws No. 77 of 2009, item 649), the Company established the Audit Committee that, in particular, is responsible for: controlling of the financial reporting process; monitoring of the efficiency of internal control system, internal audit system and risk management; supervision of the execution of financial review activities; monitoring of independence of a certified auditor and an entity authorised to audit financial statements.

The Audit Committee shall meet once a quarter before the Company's Supervisory Board meetings to discuss, among other things, ended internal audits executed at the Company, audits of the implementation of audit recommendations and those arising out of prior audits and to discuss the findings and recommendations made by third party auditors. In addition to Audit Committee Members, the meetings of this body are attended by delegated Members of the Company's Management Board and the Company's and Mondi Group's Internal Auditors.

The Finance Area reporting to the Finance Director is responsible for preparing financial statements, periodic financial reports and current reporting of the Company.

The Company's and Group's financial statements are prepared by middle level management and before being provided to the independent auditor they are checked by the Finance Director.

Financial figures that are the basis for financial statements and periodic reports are taken from the Company's monthly financial and operating reports. Middle and senior level management, jointly with the Finance Area analyse Company's and particular organisational units' financial performance, comparing it to business assumptions, after accounting books for each calendar months are closed.

Identified errors are corrected on a current basis in the Company's books in line with the accounting policy. The preparation process of financial statements and periodic reports commences after results of the period ended are approved by the Finance Director.

In the Company, business strategies and plans are reviewed on an annual basis. Medium and senior level management is involved in detailed budgeting that covers all Company's areas. The budget and the business plan for the following year are adopted by the Company's Management Board and approved by the Supervisory Board. The Company's Management Board, during the year, analyses financial results comparing them to the budget, based on the Company's accounting policy.

The Company's accounting policy with regard to statutory reporting is applied both to budgeting and during preparation of periodic reporting. The Company uses coherent accounting principles when presenting financial data in financial statements, periodic financial reports and other reports delivered to Shareholders.

The Company evaluates on a regular basis the quality of internal audit and risk management systems in relation to the preparation of financial statements. Based on the evaluation made, the Management Board of the Company is of the opinion that as of 31 December 2011 there were no weaknesses that could significantly impact the effectiveness of the internal audit in relation to financial reporting.

5.4. Shareholders that directly or indirectly hold significant parcels of shares, number of shares held by such entities, their participation in the share capital in %, number of votes arising out of the participation in the share capital and their share in % in the total number of votes at the General Meeting of the Company

The period of time between 1 January 2011 and 26 September 2011:

1. FRAMONDI N.V.: 33, 000,000 shares = 33,000,000 votes at the General Meeting of the Company = 66% share in the share capital = 66% share in the total number of votes at the General Meeting of the Company,

2. ING OFE: 5,200,000 shares = 5,200,000 votes at the General Meeting of the Company = 10.4% share in the share capital = 10.4% share in the total number of votes at the General Meeting of the Company,

3. AVIVA OFE AVIVA BZ WBK: 3,655,965 shares = 3,655,965 votes at the General Meeting of the Company = 7.31% share in the share capital = 7.31% share in the total number of votes at the General Meeting of the Company.

The share capital of Mondi Świecie S.A. amounts to PLN 50,000,000 = 50,000,000 common bearer shares with the nominal value of PLN 1 per share.

The period of time between 27 September 2011 and 31 December 2011:

1. FRAMONDI N.V.: 33, 000,000 shares = 33,000,000 votes at the General Meeting of the Company = 66% share in the share capital = 66% share in the total number of votes at the General Meeting of the Company,

2. ING OFE: 4,998,750 shares = 4,998,750 votes at the General Meeting of the Company = 9.9975% share in the share capital = 9.9975% share in the total number of votes at the General Meeting of the Company,

3. AVIVA OFE AVIVA BZ WBK: 3,655,965 shares = 3,655,965 votes at the General Meeting of the Company = 7.3119% share in the share capital = 7.3119% share in the total number of votes at the General Meeting of the Company.

The share capital of Mondi Świecie S.A. amounts to PLN 50,000,000 = 50,000,000 common bearer shares with the nominal value of PLN 1 per share.

5.5. Holders of any securities giving special controlling powers and description of such powers

Any Mondi Świecie S.A. securities are of a privileged type in this respect.

5.6. Any limitations related to exercising the right to vote, such as limitation to exercise the right to vote by holders of a certain portion or number of votes, time limitations related to exercising the right to vote or regulations providing that, with Company's co-operation, capital rights related to securities are separated from holding securities

In the reporting period no such events occurred.

5.7. Any limitations related to the transfer of ownership title to the Company's securities

In the reporting period no such events occurred.

5.8. Rules of appointing and dismissing managing and supervising persons and their powers, in particular their power to decide about shares issuance or buying out

The Supervisory Board shall appoint the President and the other Members of the Management Board.

The President, a Member of the Management Board or the entire Management Board may be dismissed by the Supervisory Board before the end of their term of office.

The Management Board shall be composed of one or more Members. The number of Members shall be determined by the Supervisory Board.

The term of office for Members of the Management Board shall last for three consecutive years. The term of office shall be joint for all Members of the Management Board in the meaning of art. 369 § 3 of the Commercial Companies Code.

An employment contract with the Members of the Management Board of the Company shall be executed on behalf of the Company by a representative of the Supervisory Board delegated from among its Members.

The same course shall apply to other actions related to the employment relation of a Member of the Management Board.

The Management Board of the Company, presided over by the President, shall manage the Company and represent it before third parties.

In the case where the Management Board is composed of one person, the President of the Board and in the case where the Management Board is composed of several Members, two Members of the Management Board acting jointly or a Member of the Management Board acting jointly with a holder of a proxy ("prokurent") shall be entitled to make declarations of will on behalf of the Company relating to its rights and obligation.

All matters related to the management of the Company and not restricted to the capacity of the General Meeting or the Supervisory Board shall be left to the Management Board, provided that any action in respect of any of the following activities at the Company and its subsidiaries shall require the prior approval of the Supervisory Board:

a) adoption of an annual operating budget and budget of expenditures for and divestiture of material assets,

b) incurring an expenditure which is outside the annual budget approved by the Supervisory Board,

c) any individual sale or purchase of a material asset which exceeds the equivalent of EUR 500,000, also if planned in the annual budget,

d) any undertaking of any obligations or borrowings which exceeds the equivalent of EUR 250,000, or encumbrance of assets of the Company of the value exceeding the equivalent of EUR 250,000, outside the annual budget,

e) significant agreements (including agreements with related entities as referred to in the law on information to be provided on a current and periodical basis by issuers of securities), which is:

- agreements that do not exceed one year's duration and the value of which exceeds the equivalent of EUR 500,000,

- agreements that exceed one year's duration and the value of which exceeds the equivalent of EUR 250,000 per year,

f) acquisition and disposal of real estate, perpetual usufruct or participation in real estate.

The Company's Statute (§35 (3)) provides that the Management Board of the Company shall be entitled to pay to the Shareholder an advance with respect to a dividend expected as of the end of a fiscal year if the Company possesses means sufficient for payment. Payment of such advance requires approval of the Supervisory Board.

The General Meeting of the Company shall be entitled to decide to issue or buy out shares.

The Management Board Regulations specifies in detail the rules of procedure for the Management Board. The Management Board Regulations are adopted by the Management Board and approved by the Supervisory Board.

5.9. Rules of amending the Statute or Articles of Association

In relation to the amendment of the statute, the Statute of Mondi Świecie S.A. does not include any provisions different than those of the Commercial Companies Code.

The General Meeting of the Company shall be entitled to amend the Statute. It is required to have a majority of three-fourths of votes to amend the Statute. The Statute amendment shall be entered into the KRS (National Court Register of Companies).

The General Meeting of the Company may authorise the Supervisory Board to establish the unified text of the amended Statute or to make other amendments of an editorial type as specified in the General Meeting resolution.

5.10. General Meeting rules of procedure and basic powers as well as Shareholders' rights and way of exercising such rights, in particular the rules arising out the General Meeting rules of procedure, if such the rules were adopted, unless information in this regard arises out of the law

The General Meeting rules of procedure and Meeting's basic powers as well as Shareholders' rights and the way of exercising such rights are governed by the following legal provisions:

1. Act as of 15 September 2000 Commercial Companies Code (Journal of Laws 00.94.1037 as later amended),
2. Statute of Mondi Świecie S.A.,
3. Rules of Procedure of General Meetings of Mondi Świecie S.A. *(available at www.mondigroup.pl; Corporate documents_ General Meetings Rules of Procedure)*, and
4. Best Practice of Corporate Governance as approved by the Company (*available at www.mondigroup.pl; Corporate Governance_Best Practices).*

The General Meeting may adopt resolutions irrespective of the number of Shareholders present and the number of represented shares. Each share shall entitle one vote at the General Meeting.

Resolutions of the General Meeting shall be adopted by an absolute majority of votes, unless the provisions of the law or the Statute provide otherwise.

For the case as stipulated in art. 397 of the Commercial Companies Code, the resolution on dissolution of the Company shall require the majority of 3/4 votes cast.

The resolution not to consider an issue placed on the agenda may be adopted only if there are important reasons for adopting such a resolution. A relevant motion should be accompanied by a detailed justification. An item placed on the agenda may be removed from the agenda or may not be considered upon a motion of the Shareholders only if the resolution of the General Meeting of Shareholders is adopted after prior approval by all the present Shareholders who submitted the motion and if 75% of votes were cast in favour of adopting the resolution.

The voting shall be open. A secret ballot shall be ordered with respect to elections or motions on the dismissal of the members of the authorities or liquidators of the Company, as well as with respect to motions to hold the persons mentioned above responsible or in personal matters. Also, a secret ballot shall be ordered at the request of only one present person entitled to vote.

The powers of the General Meeting shall include:

1) examination and approval of the report of the Management Board of the Company and of the financial statements for the preceding fiscal year,
2) adopting a resolution regarding the profit distribution or loss coverage,
3) discharging the bodies of the Company from performance of duties by them,
4) changes of the scope of business activity of the Company,
5) amending the Statute of the Company,
6) increasing or decreasing the share capital,
7) merger of the Company and transformation of the Company,

8) dissolution and liquidation of the Company,
9) issuance of bonds,
10) sale or lease of the enterprise of the Company, or its organised part and establishment of limited rights in property thereof,
11) utilisation of the supplementary (share) and reserve capital,
12) any decisions regarding claims for compensation of damages inflicted in the course of the Company's formation or during the exercise of the executive or supervisory duties.

Apart from the matters stipulated above, a resolution of the General Meeting shall be required in matters determined in the Commercial Companies Code unless such matters, within the scope permitted by the Commercial Companies Code, are delegated by this Statute to the competences of the Supervisory Board.

Since the convocation of the Meeting, the Company shall publish information specified in Article 402^3 of the Commercial Companies Code on the Company's website through which website Shareholders may communicate with the Company, including they may notify the Company of granting or withdrawing electronically the power of attorney to participate in the Meeting. The Company shall publish on this website, in particular, the form that enables a person authorised to exercise the right to vote and a list of documents the scanned copies of which shall be attached to the notification of granting the power of attorney electronically and the lack of which makes the notification of granting or withdrawing the power of attorney ineffective towards the Company.

The Company shall undertake required actions for identification of a Shareholder and the person authorised in order to verify the validity of the power of attorney granted electronically. Such actions shall be proportional to the purpose.

The General Meeting (hereinafter referred to as "the Meeting") shall be opened by the Chairman of the Supervisory Board, his Deputy and if they both are absent by the President of the Management Board or a person appointed by the President and then, the Chairman of the Meeting shall be elected from among the parties entitled to vote.

The Chairman of the General Meeting shall ensure an efficient conduct of the Meeting and observance of the rights and interests of all Shareholders. The Chairman should counteract, in particular, the abuse of rights by the participants of the Meeting and should guarantee that the rights of minority Shareholders are respected. The Chairman should not, without a sound reason, resign from his function or put off the signing of the minutes of the Meeting without well-grounded reasons.

The Chairman, after signing the attendance record, shall state the proper convocation of the Meeting and its empowerment to adopt resolutions.

If needed, a Scrutiny Commission may be elected from among the parties entitled to participate in the Meeting, whose duties shall include counting votes, taking care of the proper conduct of voting and establishing its results.

Voting on matters of routine/procedure may be carried out only on the issues related to the conduct of the Meeting. The voting procedure cannot apply to resolutions which may have impact on the exercising of rights by the Shareholders.

A resolution not to consider the issue placed on the agenda may be adopted if it is supported by a relevant motion accompanied by a detailed justification and only if there are important and related reasons for not adopting the resolution, excluding the issues placed on the agenda at the request of the Shareholders. The item placed on the agenda may be removed from the agenda or may not be considered upon a motion of the Shareholders only if the resolution of the General Meeting of Shareholders is adopted after prior approval by all the present Shareholders who submitted such motion and if 75% of votes were cast in favour of adopting the resolution.

The Chairman shall lead the debate of the Meeting, present draft resolutions to the Meeting, undertake decisions in the procedural and technical matters, take care of the effective conduct of the Meeting in accordance with the determined agenda and provisions of law, permit participants to take the floor, receive motions and draft resolutions and submit them for discussion, order voting, announce its results and state adoption of resolutions.

Short breaks in the session, which do not defer the session, ordered by the Chairman of the Meeting in justified cases, cannot be aimed at hindering the exercising of rights by the shareholders.

The Chairman shall permit participants to take the floor in the sequence they submit their motions to speak.

The Chairman shall be entitled to permit the invited experts and advisors to take the floor.

Answers provided by the Management Board or other persons invited to the General Meeting to the questions posted by the General Meeting should take into account the fact that the reporting obligations are performed by a public company in a manner which arises out of the Law applicable to public companies, and certain information cannot be provided otherwise.

In discussing any point under the agenda, each Shareholder shall have the right to a 5-minute speech and a 3- minute reply.

Motions as to modifications of the content of draft resolutions shall be submitted to the Chairman in writing and shall be signed by a submitting party.

Following the end of the discussion, the Chairman, taking into consideration the discussion and the results of voting on particular motions, shall determine the final content of the draft resolution being formulated in such a manner so as each entitled party who objects to the merits of a matter can appeal against it, and he/she shall submit the draft to voting.

A party objecting to a resolution must have an opportunity to concisely present the reasons for the objection.

At the request of a participant in the General Meeting, his/her written statement is recorded in the minutes.

The Scrutiny Commission shall count the votes cast on adopting the resolution. A written statement of the Commission regarding the number of votes shall be delivered to the Chairman who shall announce the result of voting.

The resolutions shall be deemed adopted if they have been adopted, respectively, in an open or secret ballot and by an appropriate majority of votes as required by the provisions of the Commercial Companies Code and of the Statute.

The Supervisory Board Members shall be elected, subject to § 17 (2) of the Company's Statute, from among candidates proposed by Shareholders who participate in the Meeting. The candidature for Supervisory Board Members should be proposed and justified in detail so as a conscious election is possible. The approval of being a candidate to the Supervisory Board and approval for processing and publication of personal particulars by the Company within the required scope in relation to being a candidate and member of the public company Supervisory Board shall be attached to the application.

When candidates to the Supervisory Board Members are proposed, it should be taken into account that at least one Supervisory Board Member should be qualified in accounting and financial review and should meet the conditions of independence as specified in art. 56 (3) (1,3 and 5) of the Act of 7 May 2009 on certified auditors and their self-government, entities authorised to audit financial statements and public supervision (Journal of Laws no. 77, item 649).

The election of Supervisory Board Members in one joint voting shall be allowable only if there are not more candidates than the number of seats/posts in the Supervisory Board and if no Shareholder participating in the Meeting objects to the voting.

In the case where the Supervisory Board is elected by voting in separate groups:

- at the Meeting, for the purpose of electing Supervisory Board Members, at maximum as many groups of shareholders can be established as there are posts in the Supervisory Board to be filled,
- the minimum number of shares which is required to establish a group is defined as the number of shares represented in the Meeting divided by the number of posts in the Supervisory Board to be filled,
- the group of Shareholders shall be entitled to elect as many Supervisory Board Members as the number of shares represented by the group's members is higher than the calculated minimum number of shares required to establish the group,
- the groups of Shareholders can become one group to elect jointly,
- the Shareholder can be a member of one group only,
- Shareholders being members of the group established for the purpose of electing a Supervisory Board Member provide the Chairman with their written declarations about their membership in this group,
- the majority of votes in the group determines the election of the Supervisory Board member within this group,
- for each of the groups a separate attendance list shall be drawn up; a scrutiny commission shall be elected and a Chairman shall be appointed to preside over the election,
- the resolution regarding the election of the Supervisory Board Member or Members by the group shall be included in the Minutes by a notary public.

In formal matters the Chairman permits to take the floor outside the sequence of submitting a motion to speak.

If the Meeting is attended by parties who have no command of Polish, then the Meeting shall be interpreted by a sworn translator.

Having discussed the issues on the agenda, the Chairman shall declare the Meeting closed.

5.11. Members of and changes to the composition of the Company's Management and Supervisory Boards or administration body made over the last fiscal year, the procedure of operation of the Company's Management and Supervisory Boards or administration body and their committees

The Supervisory Board of Mondi Świecie S.A. of VIII term of office (appointed pursuant to the resolution of the Ordinary General Meeting of Shareholders on 16 April 2010) in the period of time from 1 January 2011 to 31 December 2011 was composed of:

- Peter Oswald – Chairman of the Supervisory Board,
- Peter Machacek – Deputy Chairman of the Supervisory Board,
- Jarosław Kurznik – Secretary of the Supervisory Board, elected by the employees of the Company,
- Ryszard Gackowski – Member of the Supervisory Board, elected by the employees of the Company,
- Franz Hiesinger – Member of the Supervisory Board,
- Karol Mergler – Member of the Supervisory Board, elected by the employees of the Company,

- Klaus Peller – Member of the Supervisory Board,
- Ladimir Enore Pellizzaro – Member of the Supervisory Board,
- Walter Seyser – Member of the Supervisory Board.

The Supervisory Board supervises on a continuous basis all areas of the Company's business and performs activities as specified in the following legal provisions:
1. Act of 15 September 2000 Commercial Companies Code (Journal of Laws 00.94.1037 with later amendments),
2. Statute of Mondi Świecie S.A. *(available at the Company's website),*
3. Regulations of the Supervisory Board of Mondi Świecie S.A. *(available at the Company's website),* and
4. Declaration of Mondi Świecie S.A. on Compliance with Best Practice of Corporate Governance, excluding the rules specified under B.

A detailed description of the Supervisory Board procedure of operation is available at the Company's website.

Pursuant to the Act of 7 May 2009 on certified auditors and their self-government, entities authorised to audit financial statements and public supervision (Journal of Laws no. 77, item 649) on 20 November 2009 the Extraordinary General Meeting of Shareholders appointed Mr Walter Seyser a new, independent Member of the Supervisory Board who is qualified as specified in the Act (art. 56 (3) (1,3 and 5)) and a three-Member Audit Committee of the Supervisory Board was established (composed of: Messrs W. Seyser – the Chairman, F. Hiesinger, K. Mergler). The Audit Committee Chairman and Members are appointed by the Supervisory Board from among the Board Members.

The Audit Committee meetings are held before sessions of the Company's Supervisory Board.

The Audit Committee responsibilities shall, in particular, include monitoring of:
a) the financial reporting process;
b) the efficiency of internal control system, internal audit system and risk management;
c) the execution of financial review activities;
d) independence of a certified auditor and an entity authorised to audit financial statements as well as recommending to the Supervisory Board the entity authorised to audit financial statements to perform financial review activities for the Company.

Pursuant to the amended Supervisory Board Regulations, the Supervisory Board may establish committees from among Board Members to deal with matters to be specified by the Supervisory Board.

The Management Board of the Company shall be obliged to co-operate with the Audit Committee and other committees established by the Supervisory Board and shall enable such committees to execute their responsibilities.

Minutes of meetings of committees shall be taken. The provisions of §12 of the Supervisory Board Regulations shall apply to the Minutes.

The Supervisory Board shall consist of at least 6 members. The term of office of the Members of the Supervisory Board shall be three years. The term of office of all the Supervisory Board Members shall be joint in the understanding of article 369 §3 and in connection with art.386 § 2 of the Code of Commercial Companies.

The Members of the Supervisory Board are appointed and dismissed by the General Meeting, provided that one third of the Members is appointed from among persons elected by the employees employed in the enterprise of the Company.

Resignation, death or other material reason resulting in a decrease in the number of the Members of the Supervisory Board appointed by the employees shall give rise to a supplementary election. The election shall be called by the remaining Member(s) of the Supervisory Board elected by the employees. However, up to the time of appointment of the Members of the Board elected by the employees, the resolutions of the Supervisory Board shall be valid.

The detailed course of the election of the Members of the Supervisory Board by the employees shall be determined by the election by-laws adopted by the representatives of employees in the Supervisory Board.

The Supervisory Board shall elect the Chairman of the Supervisory Board, one or more Deputy Chairmen and the Secretary of the Board from among its Members.

The meetings of the Supervisory Board shall be called and led by the Chairman of the Supervisory Board. The Chairman of the Supervisory Board of the previous term of office shall call and open the first meeting of the newly appointed Board and shall preside such meeting until a new Chairman is elected.

The Supervisory Board may dismiss the Chairman, Deputy Chairman and the Secretary of the Supervisory Board.

The Supervisory Board shall hold the meetings at the registered office of the Company or in any other place indicated in the notification as frequently as it is needed for the performance of its duties.

The Chairman of the Supervisory Board shall be obliged to call a meeting on a written request of the Management Board or any one Member of the Supervisory Board.

The meeting should be called within 14 days from the day of submitting the request and be held within 14 days from the calling thereof.

The resolutions of the Supervisory Board shall be valid if all Members of the Supervisory Board have been invited to the meeting and at least half of them are present.

The resolutions of the Board shall be adopted by a simple majority of votes cast, provided that at least half of the Members of the Supervisory Board are present at the meeting. If the vote remains undecided, the vote of the Chairman of the Supervisory Board shall prevail.

The Supervisory Board shall adopt its Regulations where the procedure of its operation is specified in detail.

The Supervisory Board may adopt resolutions through voting in writing upon the order of the Chairman of the Supervisory Board, excluding the matters stipulated in § 21 (2) (8 and 9) of the Statute as well as the matters in which voting is conducted by a secret ballot.

The Supervisory Board may hold meetings and adopt resolutions by telephone or by other means of communication in a way that guarantees communication of all the present Members of the Supervisory Board.

The resolutions adopted in the course of § 20 (4) and (5) shall be valid if all Members of the Supervisory Board have been informed about the contents of the draft resolution. Such resolutions shall be recorded in the minutes in accordance to Article 376 of the Commercial Companies Code.

The Members of the Supervisory Board may participate in adopting resolutions by delivering a vote in writing through another Member of the Board.

The Supervisory Board in particular:

1) approves the Regulations of the Management Board of the Company,
2) determines the principles of remuneration of the Members of the Management Board,
3) appoints and dismisses Members of the Management Board or the entire Management Board in a secret ballot,
4) suspends the Member or the entire Management Board in the performance of duties in secret ballot due to material reasons,

5) delegates the Member or Members of the Supervisory Board for the temporary performance of duties of the Member of the Management Board in case the Member or the entire Management Board is suspended, dismissed or unable to perform its duties due to other reasons,
6) permits establishing branches abroad at the request of the Management Board,
7) permits the acquisition and subscribing for shares in companies or joining other companies,
8) examines the Management Board report on business activities of the Company, financial statements and Management Board proposals regarding profit distribution or loss coverage,
9) submits to the General Meeting a written report on results of the examination as referred to in 8,
10) approves the acquisition and disposal of real estate, perpetual usufruct or share in real estate,
11) elects an auditor auditing the financial statements of the Company,
12) considers and provides opinions on issues to be covered by the General Meeting's resolutions.

The Members of the Supervisory Board shall exercise their rights and perform duties in person.

Remuneration of Supervisory Board Members shall be fixed by the General Meeting.

Remuneration of Supervisory Board Members delegated to temporarily act as a Member of the Management Board shall be fixed by the Supervisory Board resolution.

The Management Board of Mondi Świecie S.A. in the period of time from 1 January 2011 to 31 December 2011 was composed of:

- Maciej Kunda (President and Chief Executive Officer),
- Bogusław Bielecki (Member of the Management Board and Chief Financial Officer),
- Florian Stockert (Member of the Management Board and Sales Director),
- Tomasz Katewicz (Member of the Management Board and Production Director),
- Jan Żukowski (Member of the Management Board and Investment & Development Director).

The rules of procedure for the Management Board are governed by:

1. Act of 15 September 2000 Commercial Companies Code (Journal of Laws 00.94.1037 with later amendments),
2. Statute of Mondi Świecie S.A. *(available at the Company's website),*
3. Regulations of the Management Board of Mondi Świecie S.A. *(available at the Company's website),* and
4. Declaration of Mondi Świecie S.A. on Compliance with Best Practice of Corporate Governance, excluding the rules specified under B.

A detailed description of the Management Board procedure of operation is available at the Company's website.

The Management Board shall be composed of one or more Members. The number of Members shall be determined by the Supervisory Board.

The term of office for Members of the Management Board shall last for three consecutive years. The term of office shall be joint for all members of the Management Board in the meaning of art. 369 § 3 of the Commercial Companies Code.

The Supervisory Board shall appoint the President and the other Members of the Management Board.

The President, the Member of the Management Board or the entire Management Board may be dismissed by the Supervisory Board before the end of their term of office.

The Management Board of the Company, presided over by the President, shall manage the Company and represent it before third parties.

All matters related to the management of the Company and not restricted to the capacity of the General Meeting or the Supervisory Board shall be left to the Management Board, provided that any action in respect of any of the following activities at the Company and its subsidiaries shall require the prior approval of the Supervisory Board:

a) adoption of an annual operating budget and budget of expenditures for and divestiture of material assets,
b) incurring an expenditure which is outside the annual budget approved by the Supervisory Board,
c) any individual sale or purchase of a material asset which exceeds the equivalent of EUR 500,000 also if planned in the annual budget,
d) any undertaking of any obligations or borrowings which exceeds the equivalent of EUR 250,000, or encumbrance of assets of the Company of the value exceeding the equivalent of EUR 250,000, outside the annual budget,
e) significant agreements (including agreements with related entities as referred to in the law on information to be provided on the current and periodical basis by issuers of securities), which is:
   - agreements that do not exceed one year's duration and the value of which exceeds the equivalent of EUR 500,000,
   - agreements that exceed one year's duration and the value of which exceeds the equivalent of EUR 250,000 per year,
f) acquisition and disposal of real estate, perpetual usufruct or a participation in real estate.

The Management Board Regulations specifies in detail the rules of procedure for the Management Board. The Management Board Regulations shall be adopted by the Management Board and approved by the Supervisory Board.

In the case where the Management Board is composed of one person, the President of the Board and in the case where the Management Board is composed of several Members, two Members of the Management Board acting jointly or the Member of the Management Board acting jointly with a holder of a proxy ("prokurent") shall be entitled to make declarations of will on behalf of the Company relating to its rights and obligation.

An employment contract with the Members of the Management Board of the Company shall be executed on behalf of the Company by a representative of the Supervisory Board delegated from among its Members.

The same course shall apply to other actions related to the employment relation of the Member of the Management Board.

The Management Board of the Group:

President:	Maciej Kunda	....
Members:	Jan Żukowski	....
	Florian Stockert	....
	Tomasz Katewicz	....
	Bogusław Bielecki	....

Świecie, 13 February 2012.