Mondi SCP, a.s.

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

FOR THE YEAR ENDED 31 DECEMBER 2012

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

CONTENT

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Mondi SCP, a.s.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Mondi SCP, a.s. (the "Company"), which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Statutory Body's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mondi SCP, a.s. as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Bratislava, 22 March 2013

Deloitte

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Ing. Miloš Farštiak, ACCA
Responsible Auditor
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(EUR '000)	*Note*	*Year Ended 31 December 2012*	*Year Ended 31 December 2011*
Revenues	4	484 650	487 325
Transportation and commission costs		(43 707)	(44 896)
Changes in inventories of finished goods and work in progress		1 085	3 199
Raw materials and consumables used	5	(285 974)	(281 942)
Other services		(22 717)	(20 793)
Personnel expenses	6	(30 073)	(30 307)
Depreciation, amortisation expenses and impairment		(47 475)	(46 120)
Other operating revenues/(expenses), net		1 371	(217)
Operating profit		**57 160**	**66 249**
Investment income	7	1 479	2 026
Finance costs	7	(169)	(732)
Profit before tax		**58 470**	**67 543**
Income tax expense	8	(20 287)	(12 215)
Net profit for the reporting period		**38 183**	**55 328**
Other comprehensive income			
Hedging derivatives		(18)	(14)
Other comprehensive income/(expenses)		(10)	83
Other comprehensive income/(expenses), net of tax		(28)	69
Comprehensive income for the reporting period		**38 155**	**55 397**

(EUR '000)	*Note*	*31 December 2012*	*31 December 2011*
Assets			
Non-current assets			
Intangible assets	9	2 301	2 345
Property, plant and equipment	10	405 195	429 708
Investments in subsidiary undertakings	11	4 334	10 334
Investments in associated undertakings	11	-	-
		411 830	442 387
Current assets			
Inventories	12	34 826	37 214
Trade and other receivables	13	81 703	74 107
Cash and cash equivalents	14	126 203	81 308
Financial derivatives assets	15	-	23
		242 732	192 652
TOTAL ASSETS		**654 562**	**635 039**
Equity and liabilities			
Capital and reserves			
Share capital	16	153 855	153 855
Capital and other funds	17	87 335	87 363
Retained earnings		255 276	265 096
TOTAL EQUITY		**496 466**	**506 314**
Non-current liabilities			
Payables from employee benefits	19	2 218	2 084
Deferred tax liabilities	20	54 174	47 361
Provisions for liabilities	21	1 075	1 006
		57 467	50 451
Current liabilities			
Short-term bank loans and borrowings	18	21	15
Trade and other payables	22	99 715	77 068
Current tax liabilities		893	1 191
Provisions for liabilities	21	-	-
		100 629	78 274
TOTAL LIABILITIES		**158 096**	**128 725**
TOTAL EQUITY AND LIABILITIES		**654 562**	**635 039**

(EUR '000)	*Share Capital*	*Capital Funds*	*Other Funds*	*Retained Earnings*	*Total*
Balance at 1 January 2011	**153 855**	**87 550**	**(256)**	**289 768**	**530 917**
Profit for the reporting period	-	-	-	55 328	55 328
Actuarial loss/gain on provisions from the employee benefit plan	-	-	83	-	83
Remeasurement of hedging instruments	-	-	(14)	-	(14)
Dividends paid	-	-	-	(80 000)	(80 000)
Balance at 31 December 2011	**153 855**	**87 550**	**(187)**	**265 096**	**506 314**
Profit for the current year	-	-	-	38 183	38 183
Actuarial loss/gain on provisions from the employee benefit plan	-	-	(10)	-	(10)
Remeasurement of hedging instruments	-	-	(18)	-	(18)
Dividends paid	-	-	-	(55 000)	(55 000)
Fund from the merger of Mondi Packaging Ružomberok, a. s.	-	-	-	7 263	7 263
Revaluation of inventories of Mondi Packaging Ružomberok, a. s., upon the merger	-	-	-	(266)	(266)
Balance at 31 December 2012	**153 855**	**87 550**	**(215)**	**255 276**	**496 466**

(EUR '000)	*Note*	*Year Ended 31 December 2012*	*Year Ended 31 December 2011*
Operating activities			
Operating profit		57 160	66 249
Non-cash transactions			
- Depreciation and impairment of non-current assets		47 475	46 120
- Loss/(profit) from sale of fixed assets		127	26
- Increase of provisions		103	361
- Unrealised foreign currency exchange rate differences		(1)	(5)
- Other		30	(266)
Cash equivalents before movements in working capital		104 894	112 485
Effect of movements in working capital			
- Decrease/(increase) of inventories		4 723	(12 106)
- Decrease/(increase) of receivables		1 355	177
- Increase/(decrease) of liabilities		12 736	9 411
Cash flows from operating activities before taxes and interest		123 708	109 968
Interest paid		(2)	(13)
Income tax paid		(14 912)	(23 898)
Net cash from operating activities		**108 794**	**86 057**
Investing activities			
Acquisition of plant, property, equipment and intangible assets		(14 474)	(9 238)
Proceeds on disposal of property, plant and equipment		14	289
Expenditures for purchase of financial investments		-	(6 000)
Proceeds on disposal of long-term financial investments and ownership interests		-	1 100
Interest received		403	723
Dividends received		1 076	1 303
Cash from the merger		4 193	-
Net cash flows from investing activities		**(8 788)**	**(11 823)**
Financing activities			
Loan repayments		-	-
Share-based payments		(111)	(81)
Dividends paid		(55 000)	(80 000)
Net cash flows from financing activities		**(55 111)**	**(80 081)**
Net increase/(decrease) in cash and cash equivalents		**44 895**	**(5 847)**
Cash and cash equivalents at the beginning of the year	14	81 308	87 155
Foreign exchange gains from cash and cash equivalents		-	-
Cash and cash equivalents at the end of the year	**14**	**126 203**	**81 308**

1. GENERAL INFORMATION

a) Essential Information on the Company

Business name and seat	Mondi SCP, a.s. Tatranská cesta 3 034 17 Ružomberok
Date of establishment	7 September 1995
Date of incorporation (according to the Commercial Register)	1 October 1995
IČO	31 637 051
DIČ	SK2020431116
Business activity of company	– Paper and cardboard production – Cellulose production – Other paper and cardboard products production – wrapping paper production – Wholesale of timber – Heat production and distribution, electricity production and distribution, etc

b) Employees

	Year Ended 31 December 2012	*Year Ended 31 December 2011*
Average headcount	**1 151**	**1 251**
Of which: Managers	*18*	*18*
Other managing officers (non-employees)	*2*	*2*

c) Approval of the 2011 Financial Statements

On 14 May 2012, the Annual General Meeting approved the 2011 financial statements of Mondi SCP, a.s. The Company paid the shareholders dividends for 2011 in the total amount of EUR 55 000 thousand on 30 May 2012.

d) Members of the Company's Bodies

Body	*Function*	*Name*
Board of Directors	Chairman	Miloslav Čurilla
	Deputy Chairman	Peter Machacek (until 9 Mar 2012)
	Deputy Chairman	Peter Orisich (since 10 Mar 2012)
	Member	Roman Senecký
	Member	Peter Hlaváč
	Member	Franz Hiesinger
Supervisory Board	Chairman	Peter Josef Oswald
	Deputy Chairman	Milan Fiľo
	Member	Ján Krasuľa
Executive Management	President	Roman Senecký

e) Shareholders' Structure and their Shares in the Registered Capital

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

f) Consolidated Financial Statements

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

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

The Company's consolidated financial statements for 2012 are available at its seat in Ružomberok, Tatranská cesta 3.

g) Unlimited Liability

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

h) Statement of Compliance

The financial statements represent the Company's annual unconsolidated financial statements, which have been prepared for the reporting period from 1 January 2012 to 31 December 2012 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with the Slovak Act on Accounting No. 431/2002 Col. IFRS as adopted by the EU do not currently differ from IFRS as issued by the International Accounting Standards Board (IASB), except for certain hedge accounting requirements under IAS 39 that have not been endorsed by the EU. The Company has determined that the unendorsed hedge accounting requirements under IAS 39 would not impact the financial statements had they been endorsed by the EU at the reporting date.

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

i) Basis of Preparation of Financial Statements

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

These financial statements were prepared under the going concern assumption.

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

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

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

j) Interpretations and Amendments to Published Standards Effective in 2012

The Company adopted all of the new standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB as adopted by the EU that are relevant to its operations and are effective for reporting periods beginning on 1 January 2012. These include the following standards and interpretations:

- Amendments to IFRS 7 "Financial Instruments: Disclosures" – Transfers of Financial Assets, adopted by the EU on 22 November 2011 (effective for annual periods beginning on or after 1 July 2011).

The adoption of new standards and interpretations has not led to any changes that could have an impact on the amounts recognised for the current or previous reporting periods.

At the authorisation date of these financial statements the following standards, revisions and interpretations adopted by the EU were issued but not yet effective:

- IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2014)
- IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2014)

- IFRS 12 "Disclosures of Involvement with Other Entities" (effective for annual periods beginning on or after 1 January 2014)
- IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013)
- IAS 27 (revised in 2011) "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2014)
- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2014)
- Amendments to IFRS 1 "First-time Adoption of IFRS" – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after 1 July 2013)
- Amendments to IFRS 7 "Financial Instruments: Disclosures" – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 1 "Presentation of financial statements" – Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012)
- Amendments to IAS 12 "Income Taxes" - Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 July 2012)
- Amendments to IAS 19 "Employee Benefits" - Improvements to the Accounting for Post-employment Benefits (effective for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 32 "Financial Instruments: Presentation" – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014)
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013)

The Company has elected not to adopt these standards, revisions and interpretations before their effective dates. The Company anticipates that adopting these standards and interpretations will have no material impact on its financial statements in future reporting periods.

At present, IFRS as adopted by the EU do not significantly differ from the regulations adopted by the IASB except for the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at 31 December 2012:

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2015);
- Amendments to IFRS 1 "First-time Adoption of IFRS" – Government Loans (effective for annual periods beginning on or after 1 January 2013);
- Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" – Mandatory Effective Date and Transition Disclosures;
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities" - Transition Guidance (effective for annual periods beginning on or after 1 January 2013);
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 "Separate Financial Statements" – Investment Entities (effective for annual periods beginning on or after 1 January 2014); and
- Amendments to various standards "Improvements to IFRS (2012)" resulting from the annual improvement project published on 17 May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34), primarily with a view to removing inconsistencies and clarifying wording of the standards (amendments will apply for annual periods beginning on or after 1 January 2013).

The Company anticipates that adopting these standards, amendments to the existing standards and interpretations will have no material impact on its financial statements in the period they are first applied. At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated. According to the Company's estimates, the application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement" would not significantly impact the financial statements, if applied as at the reporting date.

2. SIGNIFICANT ACCOUNTING PRINCIPLES

a) Foreign Currency

(i) Transactions in Foreign Currencies

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

b) Financial Instruments

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

c) Borrowing Costs

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

d) Derivative Financial Instruments

The Company entered into an interest swap contract to hedge its risks associated with a floating interest rate and a forward contract for the sale of excess emission rights, which was terminated in 2010. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are initially measured at cost and are re-measured to fair value at the subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity. Amounts deferred in equity are recognised in the statement of comprehensive income in the same period in which the hedged item or forecasted transaction affects profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of comprehensive income as they arise.

e) Property, Plant and Equipment

(i) Own Assets

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

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

(ii) The Company as Lessee

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

(iii) Subsequent Expenditures

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

(iv) Useful Lives

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

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

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

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

f) Non-Current Intangible Assets

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

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

g) Investments in Subsidiaries and Associated Undertakings

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

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

h) Trade and Other Receivables

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

i) Inventories

Inventories are stated at the lower of cost, own costs or net realisable value. The net realisable value represents the estimated selling price less the estimated costs of completion and costs of distribution.

Raw material is measured at the weighted average cost, which includes the cost of acquisition of the material and other costs related to the acquisition that arose on bringing the assets to their current condition and location.

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

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

j) Cash and Cash Equivalents

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

k) Impairment of Assets

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

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

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

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

l) Dividends

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

m) Interest-Bearing Bank Loans and Borrowings

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

n) Payables from Employee Benefits

The Company operates a long-term employee benefit plan consisting of a lump-sum retirement payment and jubilee bonuses, for which no specified funds were allocated. Under IAS 19 "Employee Benefits", the expenses for employee benefits were determined using an incremental actuarial method, the so-called "Projected Unit Credit Method". Under this method, the costs of providing benefits are recognised in the statement of comprehensive income so as to spread the recurring expenses over the term of employment. The entire post-employment benefit obligation is measured at the present value of the estimated future cash outflows discounted at 3.4% (2011: 4.75%). All actuarial gains and losses are recognised through the statement of comprehensive income. Past service costs are recognised immediately to the extent that the benefits are already vested; otherwise, they are amortised on a straight-line basis over the average period until the benefits become vested.

o) Mandatory Social Security and Pension Schemes

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

p) Provisions

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

q) Emission Rights

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

r) Trade and Other Payables

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

s) Revenue Recognition

(i) Goods Sold and Services Rendered

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

(ii) Government Grants

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

t) Expenses

(i) Operating Lease Payments

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

(ii) Finance Lease Payments

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

(iii) Finance Costs and Income

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

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

u) Income Tax

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. The expected tax rate of 23% valid for the following years was used to calculate deferred income tax. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATE UNCERTAINTY

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

<u>Useful Lives</u>

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

<u>Provisions for Liabilities</u>

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

4. REVENUES

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

(EUR '000)	*Year Ended 31 December 2012*	*Year Ended 31 December 2011*
Revenues from sale of core products	438 993	440 014
Revenues from sale of non-core products and other revenues	45 657	47 311
Total	**484 650**	**487 325**

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

5. RAW MATERIALS AND CONSUMABLES USED

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

(EUR '000)	*Year Ended 31 December 2012*	*Year Ended 31 December 2011*
Raw materials, direct and auxiliary raw material (wood, pulp, chemicals, other)	194 577	192 067
Energy	50 613	45 195
Maintenance	20 901	20 644
Packages	17 337	18 212
Other	2 546	5 824
Total	**285 974**	**281 942**

6. PERSONNEL EXPENSES

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

(EUR '000)	*Year Ended 31 December 2012*	*Year Ended 31 December 2011*
Wages	22 006	21 706
Social expenses	7 093	7 088
Other	974	1 513
Total	**30 073**	**30 307**

7. INVESTMENT INCOME AND FINANCE COSTS

(EUR '000)	*Year Ended 31 December 2012*	*Year Ended 31 December 2011*
Dividends received	1 076	1 303
Interest income	403	723
Total investment income	**1 479**	**2 026**
Loss on the sale of financial investments	-	562
Interest expense	169	170
Total finance costs	**169**	**732**

8. INCOME TAX

(EUR '000)	*Year Ended 31 December 2012*	*Year Ended 31 December 2011*
Current tax	14 279	14 957
Deferred tax	6 008	(2 742)
Income tax for the year	**20 287**	**12 215**

Domestic income tax is calculated at 19% of the taxable profit for the year (2011: 19%).

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

	Year Ended 31 December 2012 (EUR '000)	%	*Year Ended 31 December 2011* (EUR '000)	%
Profit before tax	58 470		67 543	
Tax at the domestic income tax rate of 19%	11 109	19.0	12 833	19.0
Permanent differences	(175)		(371)	
Effect of a change in the income tax rate to 23%	9 420		-	
Correction of prior periods' error and accruals	(67)		(247)	
Income tax and effective tax rate	**20 287**	**34.7**	**12 215**	**18.1**

9. INTANGIBLE ASSETS

Analysis of activities in intangible assets for the year ended 31 December 2012:

(EUR '000)	*Other Non-Current Intangible Assets*
Cost	
At 1 January 2012	12 636
Additions	845
Additions due to merger with Mondi Packaging	13
Reclassification	(78)
Disposals	(222)
At 31 December 2012	**13 194**
Amortisation	
At 1 January 2012	10 291
Charge for the year	814
Increase due to merger with Mondi Packaging	11
Disposals	(222)
At 31 December 2012	**10 893**
Carrying amount	
At 31 December 2011	**2 345**
At 31 December 2012	**2 301**

Analysis of activities in intangible assets for the year ended 31 December 2011:

(EUR '000)	*Other Non-Current Intangible Assets*
Cost	
At 1 January 2011	10 942
Additions	1 692
Transfers and reclassification	5
Disposals	(3)
At 31 December 2011	**12 636**
Amortisation	
At 1 January 2011	9 590
Charge for the year	704
Disposals	(3)
At 31 December 2011	**10 291**
Carrying amount	
At 31 December 2010	**1 352**
At 31 December 2011	**2 345**

Other non-current intangible assets comprise assets in acquisition and advance payments made for non-current intangible assets in the amount of EUR 48 thousand as at 31 December 2012 (31 December 2011: EUR 145 thousand).

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

10. PROPERTY, PLANT AND EQUIPMENT

An analysis of activities in property, plant and equipment for the year ended 31 December 2012 is as follows:

(EUR '000)	*Buildings and Structures*	*Plant and Equipment*	*Other Non-Current Tangible Assets*	*Total*
Cost				
At 1 January 2012	189 613	862 213	17 244	1 069 070
Additions	-	-	15 345	15 345
Additions - merger of Mondi Packaging Rk	2 032	17 589	307	19 928
Disposals	(4 561)	(6 003)	(79)	(10 643)
Transfers and reclassifications	2 274	12 240	(14 436)	78
At 31 December 2012	**189 358**	**886 039**	**18 381**	**1 093 778**
Accumulated depreciation and impairment				
At 1 January 2012	84 974	544 180	10 208	639 362
Additions - merger of Mondi Packaging Rk	514	12 425	122	13 062
Depreciation charge for the year and impairment	4 541	41 564	557	46 662
Disposals	(4 561)	(5 862)	(79)	(10 502)
At 31 December 2012	**85 468**	**592 307**	**10 808**	**688 583**
Carrying amount				
At 31 December 2011	**104 639**	**318 033**	**7 036**	**429 708**
At 31 December 2012	**103 890**	**293 732**	**7 573**	**405 195**

Other non-current assets include assets in acquisition and advance payments made for non-current assets in the amount of EUR 5 818 thousand as at 31 December 2012.

An analysis of activities in property, plant and equipment for the year ended 31 December 2011 is as follows:

(EUR '000)	*Buildings and Structures*	*Plant and Equipment*	*Other Non-Current Tangible Assets*	*Total*
Cost				
At 1 January 2011	188 479	861 708	16 188	1 066 375
Additions	-	-	6 689	6 689
Disposals	(758)	(2 803)	(428)	(3 989)
Transfers	1 892	3 308	(5 205)	(5)
At 31 December 2011	**189 613**	**862 213**	**17 244**	**1 069 070**
Accumulated depreciation and impairment				
At 1 January 2011	80 925	506 782	9 913	597 620
Depreciation charge for the year and impairment	4 673	40 123	620	45 416
Disposals	(624)	(2 725)	(325)	(3 674)
At 31 December 2011	**84 974**	**544 180**	**10 208**	**639 362**
Carrying amount				
At 31 December 2010	**107 554**	**354 926**	**6 275**	**468 755**
At 31 December 2011	**104 639**	**318 033**	**7 036**	**429 708**

Other non-current assets include assets in acquisition and advance payments made for non-current assets in the amount of EUR 4 990 thousand as at 31 December 2011.

Useful lives of the relevant assets used are described in Part 2, Clause e) of these Notes.

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

Insured Object	***Type of Insurance***	***Amount* 2012**	***2011***
Passenger vehicles	Against theft, motor hull	188	117
Property, plant and equipment	Against natural disasters	1 241 010	1 238 261
Machines and equipment	machine break	928 129	923 308
Inventories	Against natural disasters	35 993	33 290

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

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

11. INVESTMENTS IN SUBSIDIARY AND ASSOCIATE UNDERTAKINGS

(EUR '000)	*Shares & Ownership Interests in Subsidiaries*	*Shares & Ownership Interests in Associates*	*Total*
Cost			
At 1 January 2012	10 334	4 482	14 816
Additions	-	-	-
Disposals	(6 000)	-	(6 000)
At 31 December 2012	**4 334**	**4 482**	**8 816**
Accumulated depreciation			
At 1 January 2012	-	4 482	4 482
Disposals	-	-	-
At 31 December 2012	**-**	**4 482**	**4 482**
Carrying amount			
At 31 December 2011	**10 334**	**-**	**10 334**
At 31 December 2012	**4 334**	**-**	**4 334**

Disposals of financial investments represent the legal merger of Mondi Packaging Ružomberok, a. s. with the parent company, Mondi SCP, a. s., effective from 1 December 2012.

The table below presents details of subsidiary and associate undertakings as at 31 December 2012 (EUR '000):

Name and Seat of the Company	*Cost at Acquisition*	*Impairment*	*Face Value per Share*	*Share in Equity*	*Equity*		*Profit/(Loss)*	
	EUR '000	*EUR '000*	*EUR*	*%*	*2012*	*2011*	*2012*	*2011*
Subsidiaries								
Obaly S O L O , s.r.o., Ružomberok	3 935	-	-	100	4 829	3 569	2 077	817
SLOVWOOD Ružomberok, a.s.	393	-	3 319.39	66	722	703	188	172
STRÁŽNA SLUŽBA VLA-STA, s.r.o., Ružomberok	6	-	-	100	167	155	159	111
Total	**4 334**	**-**						
Associates								
AG Banka, a.s., Banská Bystrica	4 482	4 482	33.19	27	n/a	n/a	n/a	n/a
Total	**4 482**	**4 482**						

The voting rights in the entities equal shares in the registered capital.
**) Equity and profit/loss under Slovak Accounting Standards.*
N/A – Information is not disclosed because the company is in liquidation.

12. INVENTORIES

(EUR '000)	*31 December 2012*	*31 December 2011*
Raw materials and spare parts	16 174	21 090
Work in progress and semi-finished goods	8 218	9 203
Finished goods	10 434	6 921
Total	**34 826**	**37 214**

As at 31 December 2012, the Company recorded provisions in the amount of EUR 14 129 thousand (2011: EUR 14 045 thousand) for obsolete and slow-moving inventory based on a detailed analysis of individual items of inventories. The analysis was prepared by the stocktaking committee at the year-end and was based on an assessment of the net realisable value of inventories. The Company reassessed the recorded provisions for inventories and came to the conclusion that the amount of the provisions is sufficient.

13. TRADE AND OTHER RECEIVABLES

(EUR '000)	*31 December 2012*	*31 December 2011*
Amounts receivable from the sale of goods and services	72 358	63 647
Other receivables, other tax receivables and advance payments made	9 345	10 460
Total	**81 703**	**74 107**

As at 31 December 2012, the Company recorded a provision for estimated irrecoverable amounts from the sale of goods and other receivables in the amount of EUR 194 thousand (2011: EUR 411 thousand). This provision was determined with reference to past default experience. The directors consider that the carrying amount of trade and other receivables approximates their fair value.

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

(EUR '000)	*31 December 2012*	*31 December 2011*
Within maturity	80 840	73 798
Overdue	1 057	720
Total	**81 897**	**74 518**

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

The Company recorded no receivables under lien.

14. CASH AND CASH EQUIVALENTS

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

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

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

(EUR '000)	*31 December 2012*	*31 December 2011*
Cash and cash equivalents	126 203	81 308
Total	**126 203**	**81 308**

As at 31 December 2012, the amount of EUR 122 816 thousand represents the cash pooling balance with Mondi Finance Ltd (as at 31 December 2011, the amount of EUR 80 852 thousand was deposited in a term deposit held with Mondi Finance Ltd).

15. FINANCIAL DERIVATIVES ASSETS AND LIABILITIES

Financial derivatives assets and liabilities

(EUR '000)	*31 December 2012*		*31 December 2011*	
	Assets	*Liabilities*	*Assets*	*Liabilities*
Forward/swap CO_2 emissions contracts	-	-	23	-
	-	**-**	**23**	**-**
Analysed as:	-	-	23	-
Current	-	-	23	-
Total	**-**	**-**	**23**	**-**

Recognised EUA/CER CO_2 Emissions Swap Contracts

Under the current Slovak legislation relating to the possibility of delivering 7% of the consumed CO_2 limits through CER (Certified Emission Reduction) and ERU (Emmision Reduction Unit) units in the 2008–2012 period, the Company (in order to hedge the risk of CO_2 emissions price fluctuations) made EUA/CER and EUA/ERU swap contracts totalling 84 844 tons. As at 31 December 2012, there were no open contracts.

16. SHARE CAPITAL

The registered capital was issued in the form of bearer shares. As at 31 December 2012 and 2011, the total number of issued shares was 4 635 034, and the face value per share was EUR 33.193919. All of the Company's shares were repaid. None of the Company's shares are quoted on the stock exchange.

In 2003, the Company issued two convertible loan notes, which can be swapped for shares by 2013. The bondholder has the right to underwrite 47 297 of the Company's ordinary shares issued as bearer shares at the nominal value of EUR 33.193919 for each preferred bond issued in book-entry form. Pre-emption rights for underwriting related to the preferred bonds can be enforced until the maturity of the bond, ie 10 years from the issue date, at the latest.

17. CAPITAL AND OTHER FUNDS

As at 31 December 2012, mainly funds from profit (legal reserve fund and statutory funds) in the amount of EUR 87 550 thousand were recognised under capital funds. Other funds include a fund comprising an actuarial loss on employment benefits upon employment termination in the amount of EUR 23 thousand, and an investments revaluation reserve in the amount of EUR (238) thousand.

18. BANK LOANS AND BORROWINGS

(EUR '000)	*31 December 2012*	*31 December 2011*
Other borrowings	21	15
Total	**21**	**15**

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

Currency	*31 December 2012*	*31 December 2011*
EUR	21	15
Total	**21**	**15**

The loans and borrowings are repayable as follows:

(EUR '000)	*31 December 2012*	*31 December 2011*
Within one year	21	15
	21	**15**
	-	-
Less: amount due within 12 months (recognised as current liabilities)	-	-
Amount due after 12 months	**-**	**-**

In 2012, the Company did not draw any short- or long-term bank loans.

As at 31 December 2012, the Company did not draw any investment or operating loans.

19. DEFERRED TAX LIABILITY

The following are the major deferred tax liabilities and assets recognised by the Company, and the movements thereon, during the current and prior reporting periods.

(EUR '000)	*Difference in NBV of Non-current Assets*	*Other Temporary Differences*	*Total*
As at 1 January 2012	50 719	(3 358)	47 361
Recognised through profit or loss	6 627	(619)	6 008
Merger of Mondi Packaging Ružomberok	932	(122)	810
Recognised through equity	-	(5)	(5)
As at 31 December 2012	**58 278**	**(4 104)**	**54 174**

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

(EUR '000)	*31 December 2012*	*31 December 2011*
Deferred tax liabilities	58 286	50 731
Deferred tax assets	(4 112)	(3 370)
Net deferred tax liability presented in the balance sheet	**54 174**	**47 361**

Deferred income tax relates to items that are recorded as part of the equity rather than as an expense or to revenue that was recorded against the relevant equity items as at 31 December 2012.

20. PROVISIONS

(EUR '000)	*Provision for Restoration of a Landfill*	
	Non-Current	*Current*
As at 1 January 2012	1 006	-
Additions	73	-
Use	(4)	-
As at 31 December 2012	**1 075**	**-**

Additions to provisions for the restoration of a landfill site related to the recognition of interest charges adjusting the amount of provision to the net present value as at 31 December 2012 in the amount EUR 73 thousand.

21. TRADE AND OTHER PAYABLES

(EUR '000)	*31 December 2012*	*31 December 2011*
Trade payables	82 295	67 653
Trade payables of investment nature	3 814	2 022
Other payables – cash pooling	6 831	1 423
Other payables	6 775	5 970
Total	**99 715**	**77 068**

Breakdown of trade payables by maturity:

(EUR '000)	*Maturity*				
	Within Maturity	*Retainer*	*Up to 365 Days Overdue*	*Over 365 Days Overdue*	*Total*
As at 31 December 2012					
Trade payables (including CAPEX payables)	78 972	-	7 029	108	86 109
As at 31 December 2011					
Trade payables (including CAPEX payables)	64 780	375	4 446	74	69 675

Other payables comprise the following items:

(EUR '000)	*31 December 2012*	*31 December 2011*
Payables to employees, from social security insurance and other taxes	5 491	4 637
Social fund	647	603
Estimated liabilities	631	710
Other	6	20
Total	**6 775**	**5 970**

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

In accordance with valid legislation, the Social Fund was recorded during the year at EUR 313 thousand. The Social Fund was used particularly for employee catering and workforce recuperation benefits in the amount of EUR 269 thousand.

22. FINANCIAL RISK MANAGEMENT

Capital Risk Management

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

Gearing ratio at the year-end:

(EUR '000)	*31 December 2012*	*31 December 2011*
Debt (i)	21	15
Cash and cash equivalents	126 203	81 308
Net debt	(126 182)	(81 293)
Equity	496 466	506 314
Net debt to equity ratio	**(0.254)**	**(0.161)**

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

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

Categories of Financial Instruments

(EUR '000)	*31 December 2012*	*31 December 2011*
Loans and receivables (inclusive of cash and cash equivalents)	207 906	155 415
CO_2 forward	-	23
Financial assets	**207 906**	**155 438**
Trade payables and payables to related parties	99 715	77 068
Bank loans recognised at amortised costs	21	15
Financial liabilities	**99 736**	**77 083**

a) Financial Risk Factors

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

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

Credit Risk

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

Interest Rate Risk

The Company's operating income and operating cash flows are relatively independent of changes in market interest rates. Since all the non-current borrowings were repaid in 2010, which bore interest at a variable interest rate, the Company is not exposed to the risk of changes in real interest rates.

Interest Rate Sensitivity

As the Company did not draw any long- or short-term financial loans in 2012, the Company has not been exposed to any interest rate risk. Therefore, no sensitivity analysis was performed. As at 31 December 2012, the Company has no open interest rate derivatives.

Foreign Currency Risk

As at 1 January 2009, Slovakia entered the euro zone. Since this date, the share of monetary assets and liabilities denominated in foreign currency to the total liabilities/assets has not been significant and represents a minor currency risk for the Company. Therefore, no sensitivity analysis was performed. The Company ensures that its net exposure is kept at an acceptable level by buying or selling foreign currencies at spot rates when it is necessary to address short-term fluctuations.

As at 31 December 2012, the Company had no open derivative transactions to hedge against currency risk. In 2012 and 2011, the Company did not account for any currency derivatives.

Liquidity Risk

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

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

(EUR '000)	*Weighted Average Effective Interest Rate*	*Up to 1 Month*	*1 – 3 Months*	*3 Months – 1 Year*	*1 – 5 Years*	*5 Years and More*	*Total*
2012							
Interest-free		42 919	27 978	29 681	30	-	100 608
Floating interest rate instruments	-	-	21	-	-	-	21
Total		**42 919**	**27 999**	**29 681**	**30**	**-**	**100 629**
2011							
Interest-free		35 363	23 944	18 926	27	-	78 260
Floating interest rate instruments	-	-	15	-	-	-	15
Total		**35 363**	**23 959**	**18 926**	**27**	**-**	**78 275**

The Company has access to credit lines and, as at the date of the statement of financial position, the total undrawn amount is EUR 15 000 thousand. The Company assumes that the operating cash flows and proceeds from financial assets due will be used to settle other liabilities.

The following table summarises the Group's liquidity analysis concerning financial derivatives. The table has been prepared based on undiscounted net cash inflows/(outflows) from financial derivatives that may be settled net, and undiscounted gross cash inflows/(outflows) from these financial derivatives, which may be settled gross. For other-than-fixed amounts payable/receivable, recognised amounts were derived from projected interest rates as illustrated by yield curves as at the date of the statement of financial position.

(EUR '000)	*Up to 1 Month*	*1 – 3 Months*	*3 Months – 1 Year*	*1 – 5 Years*	*5 Years and More*	*Total*
2012						
Amount paid, gross:						
CO_2 swap	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**
2011						
Amount due, net:						
CO_2 swap	-	-	64	-	-	64
Total	**-**	**-**	**64**	**-**	**-**	**64**

b) Fair Value Estimation

The fair value of publicly-traded derivatives is based on quoted market prices at the reporting date. The fair value of interest swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the reporting date.

In assessing the fair value of non-traded derivatives and other financial instruments, the Company uses a variety of methods and market assumptions that are based on market conditions existing at the reporting date. Other techniques, mainly estimated discounted value of future cash flows, are used to determine the fair value for the remaining financial instruments.

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

23. RELATED PARTY TRANSACTIONS

a) Shareholders Structure

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

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

b) Trading Transactions

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

Year Ended 31 December 2012 – in EUR '000

Company	*Sales of Goods and Services*	*Purchases of Goods and Services*	*Amounts Owed by Related Parties*	*Amounts Owed to Related Parties*
ECO-INVEST a. s., Ružomberok	-	3 526	-	350
Obaly SOLO s. r. o., Ružomberok	2 726	6 499	5 404	11 642
Strážna služba VLA-STA s.r.o., Ružomberok	68	962	8	100
Slovwood Ružomberok, a.s. Ružomberok	2974	94 689	593	10 302
Mondi Packaging Ružomberok, a.s. (until 30 Nov 2012)	21 779	3	-	-
Mondi Paper Sales GmbH	358 209	57 482	56 219	13 222
Mondi Neusiedler GmbH	10 293	291	492	95
OJSC Mondi SYJTYVKAR	1	-	-	-
Mondi Lohja	19	140	36	29
Mondi Corrugated Swiecie Zoo	-	3 858	-	557
Mondi Coating Štětí	-	57	246	47
SHP Harmanec a.s.	10 301	-	1 082	-
Mondi Ltd.	-	310	-	310
Mondi plc.	32	111	32	-
Mondi Coating Zeltweg GmbH	141	-	18	-
Mondi Uncoated Fine & Kraft Paper GmbH	78	2 894	67	804
Mondi AG	181	(119)	28	373
Mondi Štětí a.s.	-	-	-	57
Mondi Uncoated Fine Paper Deutschland	-	12	-	11
Firn Overseas Packaging Ltd.	-	-	87	-
Mondi Hammelburg GmbH	-	-	21	-
Mondi Senderhorst GmbH	-	-	21	-
Mondi Bags Mielec Sp. z o.o.	-	-	41	-
Mondi Bags Swiecie Sp. z o.o.	-	-	20	-
Mondi Wierzbica Sp. z o.o.	-	-	30	-
Mondi Brussels South S. A.	-	-	22	-
Mondi Poperinge N. V.	-	-	42	-
Mondi Bags Štětí, a. s.	3	-	94	-
Mondi Novasac s.r.l.	-	-	84	-
Mondi Paper Sales Italia	-	8	-	-
Mondi Packaging Paper Sales Iberica SL	-	-	10	-
Mondi Finance Ltd.	-	-	-	310
Total	**406 805**	**170 723**	**64 697**	**37 899**

Year Ended 31 December 2011 – in EUR '000

Company	*Sales of Goods and Services*	*Purchases of Goods and Services*	*Amounts Owed by Related Parties*	*Amounts Owed to Related Parties*
ECO-INVEST a.s., Ružomberok	-	3 500	-	353
Obaly SOLO s.r.o., Ružomberok	2 988	6 438	411	1 369
Strážna služba VLA-STA s.r.o., Ružomberok	36	948	8	95
Slovwood a.s. Ružomberok	515	110 669	11	16 604
SCP-PSS s. r. o., Ružomberok (until 30 Nov 2011)	43	182	-	-
Mondi Packaging Ružomberok a.s.	22 634	-	1 936	-
Mondi Uncoated Fine Paper Sales GmbH	366 872	29 439	56 185	5 103
Mondi Neusiedler GmbH	10 555	228	-	17
Mondi Syktyvkar OAO	1	-	-	-
Mondi Packaging Corrugated Swiecie Zoo	-	3 007	-	845
Mondi Coating Štětí	-	111	-	-
SHP Harmanec a.s.	9 525	-	1 426	-
Mondi Business Paper South Africa	12	-	(20)	-
Mondi Coating Zeltweg GmbH	406	-	-	-
Mondi Uncoated Fine & Kraft Paper GmbH	172	3 828	21	539
Mondi AG	186	858	34	39
Mondi London	-	85	1	(40)
Mondi Packaging Paper Sales	-	17 880	-	1 309
Mondi Štětí a.s.	517	-	-	-
Mondi Uncoated Fine Paper Deutschland	-	10	-	-
Mondi Paper Sales Italia	-	20	-	-
Total	**414 462**	**177 203**	**60 013**	**26 233**

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

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

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

c) Other Transactions

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

Year Ended 31 December 2012 – in EUR '000

Company	*Income from Dividends and Interest*	*Interest Expense*	*Receivables from Related Parties from Cash Pooling and Term Deposits*	*Liabilities to Related Parties from Cash Pooling*
Obaly SOLO s.r.o., Ružomberok	825	-	2 672	-
Strážna služba VLA-STA s.r.o., Ružomberok	145	-	-	294
Slovwood a.s. Ružomberok	132	-	-	6 538
Mondi Finance Limited	372	-	122 816	-

Year Ended 31 December 2011 – in EUR '000

Company	*Income from Dividends and Interest*	*Interest Expense*	*Receivables from Related Parties from Cash Pooling and Term Deposits*	*Liabilities to Related Parties from Cash Pooling*
Obaly SOLO s.r.o., Ružomberok	1 018	4	-	698
Strážna služba VLA-STA s.r.o., Ružomberok	76	1	-	244
Slovwood a.s. Ružomberok	283	2	-	206
SCP-PSS s. r. o., Ružomberok (until 30 Nov 2011)	-	3	-	-
Mondi Packaging Ružomberok, a. s.	6	2	-	275
Mondi Finance Limited	613	-	80 852	-

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

Salaries and remuneration of the Company's bodies:

Body	*Year Ended 31 December 2012*	*Year Ended 31 December 2011*
Top Management	2 008	1 977
Board of Directors	-	-
Supervisory Board	-	-
Total	**2 008**	**1 977**

25. COMMITMENTS AND CONTINGENCIES

a) Litigation and Potential Losses

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

b) Emission Rights

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

The Company has opted to record emission rights received using the net liability method; it does not record any liability for actual emissions on the basis that the Company has received adequate emission rights to cover its actual emissions. The Company has an obligation to deliver emission rights for actual emissions. This obligation will be satisfied by delivering emission rights by 30 April 2013 for the 2012 compliance period. The Company received emission rights in February 2012 for the 2012 compliance period.

c) Future Rights and Obligations

The Company does not have any rights and obligations resulting from the Company's CO_2 emission rights (EUA/CER SWAP) as of 31 December 2012.

d) Bank Guarantees

VÚB a.s. issued a bank guarantee of up to EUR 245 794 on behalf of Slovenská elektrizačná prenosová sústava, a.s. (SEPS, a.s.) to secure liabilities resulting from the agreement entered into by Mondi SCP, a.s. and SEPS, a.s. In the event of default, the Company is obliged to pay VÚB a.s.

VÚB a.s. issued a bank guarantee of up to EUR 500 000 on behalf of OKTE, a.s. to secure liabilities resulting from the agreement entered into by Mondi SCP, a.s. and OKTE, a.s. In the event of default, the Company is obliged to pay VÚB a.s.

Deutsche Bank issued a bank guarantee of up to EUR 5 500 000 on behalf of Slovenský plynárenský priemysel, a.s. to secure liabilities resulting from the agreement entered into by Mondi SCP, a.s. and Slovenský plynárenský priemysel, a.s. In the event of default, the Company is obliged to pay Deutsche Bank.

e) Capital Expenditures

As at 31 December 2012, there were no significant investment contracts without a corresponding supply of assets in 2012 that were not disclosed in these financial statements.

26. POST BALANCE SHEET EVENTS

After 31 December 2012 and up to the authorisation date of the financial statements, no significant events occurred that would have a material impact on the Company's assets and liabilities.

Prepared on: 1 March 2013 ***Approved on:*** 4 March 2013	***Signature of the Person Responsible for Bookkeeping:*** MILAN SLOBODA	***Signature of the Person Responsible for the Preparation of the Financial Statements:*** RICHARD ŽIGMUND	***Signature of a Member of the Statutory Body of the Reporting Enterprise or a Natural Person acting as a Reporting Enterprise:*** ROMAN SENECKÝ MILOSLAV ČURILLA