
Mondi SCP, a.s.

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

**FOR THE YEAR ENDED
31 DECEMBER 2014**

Mondi SCP, a.s.
Independent Auditor's Report and Consolidated Financial Statements
Prepared in accordance with International Financial Reporting Standards (IFRS)
as adopted by the EU
for the year ended 31 December 2014

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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 consolidated financial statements of Mondi SCP, a.s. and its subsidiaries (hereinafter also the "Company"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 the accounting policies used and the reasonableness of the accounting estimates made by the statutory body, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Mondi SCP, a.s. and its subsidiaries as at 31 December 2014, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Bratislava, 27 February 2015



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



Ing. Miloš Farštiak, FCCA
Responsible Auditor
Licence UDVA No. 1044

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

Mondi SCP, a.s.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the years ended 31 December 2014 and 31 December 2013

(EUR '000)	Note	Year Ended 31 December 2014	Year Ended 31 December 2013
Revenues	5	472 646	495 628
Transportation and commission costs		(46 015)	(48 934)
Changes in inventories of finished goods and work in progress		1 049	1 298
Raw materials and consumables used	6	(286 387)	(295 954)
Other services		(21 621)	(22 480)
Personnel expenses	7	(32 453)	(34 078)
Depreciation, amortisation expenses and impairment		(46 818)	(49 000)
Gain/(loss) from the sale of property, plant and equipment		19	132
Other operating expenses, net		10 273	13 120
Operating profit		50 693	59 732
Investment income	8	51	163
Finance costs	8	(194)	(156)
Profit before tax		50 550	59 739
Income tax expense	9	(4 370)	(5 620)
Net profit for the reporting period		46 180	54 119
Other comprehensive income			
Hedging derivatives		-	-
Other comprehensive income/ (expenses)		(47)	46
Other comprehensive income/(expenses), net of tax		(47)	46
Comprehensive income for the reporting period		46 133	54 165
Of which profit for the reporting period attributable to:			
- Non-controlling interests		(39)	95
- Holders of the parent company's shares		46 219	54 024
Net profit for the reporting period		46 180	54 119
Of which comprehensive income for the reporting period attributable to:			
- Non-controlling interests		(39)	95
- Holders of the parent company's shares		46 172	54 070
Comprehensive income for the reporting period, net of tax		46 133	54 165

Mondi SCP, a.s.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2014 and 31 December 2013

<i>(EUR '000)</i>	<i>Note</i>	31 December 2014	31 December 2013
Assets			
Non-current assets			
Intangible assets	10	1 055	1 570
Property, plant and equipment	11	461 106	413 902
Deferred tax asset		151	30
		<u>462 312</u>	<u>415 502</u>
Current assets			
Inventories	14	41 649	35 471
Trade and other receivables	15	76 957	75 929
Current tax assets		752	6 144
Cash and cash equivalents	16	8 334	39 632
		<u>127 692</u>	<u>157 176</u>
TOTAL ASSETS		<u>590 004</u>	<u>572 678</u>
Equity and liabilities			
Capital and reserves			
Registered capital	17	153 855	153 855
Capital and other funds	18	89 432	89 479
Retained earnings		213 245	187 026
Equity attributable to the parent company's owners		<u>456 532</u>	<u>430 360</u>
Non-controlling interests		162	277
TOTAL EQUITY		<u>456 694</u>	<u>430 637</u>
Non-current liabilities			
Payables from the employee benefit plan		2 457	2 257
Deferred tax liabilities	20	42 940	46 834
Provisions for liabilities	21	1 232	1 150
Other non-current liabilities		1 350	-
		<u>47 979</u>	<u>50 241</u>
Current liabilities			
Current interest-bearing borrowings	19	4	19
Trade and other payables	22	85 299	91 717
Current tax liabilities		28	64
Provisions for liabilities	21	-	-
		<u>85 331</u>	<u>91 800</u>
TOTAL LIABILITIES		<u>133 310</u>	<u>142 041</u>
TOTAL EQUITY AND LIABILITIES		<u>590 004</u>	<u>572 678</u>

Mondi SCP, a.s.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the years ended 31 December 2014 and 31 December 2013

<i>(EUR '000)</i>	<i>Registered Capital</i>	<i>Capital Funds</i>	<i>Other Funds</i>	<i>Retained Earnings</i>	<i>Equity Attributable to the Shareholders</i>	<i>Non-controlling Interests</i>	<i>Total</i>
Balance at 1 January 2013	153 855	89 411	22	253 002	496 290	246	496 536
Actuarial loss on provisions from the employee benefit plan	-	-	46	-	46	-	46
Profit for the current year	-	-	-	54 024	54 024	-	54 024
Profit for the current year allocated to minority shareholders	-	-	-	-	-	95	95
Dividends paid	-	-	-	(120 000)	(120 000)	-	(120 000)
Dividends paid to minority shareholders	-	-	-	-	-	(64)	(64)
Balance at 31 December 2013	153 855	89 411	68	187 026	430 360	277	430 637
Actuarial loss on provisions from the employee benefit plan	-	-	(47)	-	(47)	-	(47)
Profit for the current year	-	-	-	46 219	46 219	-	46 219
Profit for the current year allocated to minority shareholders	-	-	-	-	-	(39)	(39)
Dividends paid	-	-	-	(20 000)	(20 000)	-	(20 000)
Dividends paid to minority shareholders	-	-	-	-	-	(76)	(76)
Balance at 31 December 2014	153 855	89 411	21	213 245	456 592	162	456 694

Mondi SCP, a.s.
CONSOLIDATED STATEMENT OF CASH FLOWS
for the years ended 31 December 2014 and 31 December 2013

(EUR '000)	Note	Year Ended 31 December 2014	Year Ended 31 December 2013
Operating activities			
Operating profit		50 693	59 732
Non-cash transactions			
- Depreciation and impairment of non-current assets		46 818	49 000
- Loss/(profit) from the sale of non-current assets		(18)	(132)
- Unrealised foreign exchange differences		-	-
- Other non-cash transactions		199	(25)
Operating cash flows before movements in working capital		<u>97 692</u>	<u>108 575</u>
Effect of movements in working capital			
- Decrease/(increase) of inventories		(6 177)	307
- Decrease/(increase) receivables		(1 027)	1 552
- (Decrease)/increase of payables		(7 067)	(11 348)
Cash flows from operating activities before taxes and interest		<u>83 421</u>	<u>99 086</u>
Interest paid		(33)	-
Income tax expense		(3 016)	(20 303)
Cash flows from operating activities, net		<u>80 372</u>	<u>78 783</u>
Investing activities			
Expenditures for the purchase of property, plant and equipment and intangible assets		(92 864)	(42 805)
Proceeds on the sale of property, plant and equipment		26	159
Interest received		51	163
Net cash flows used from investing activities		<u>(92 787)</u>	<u>(42 483)</u>
Financing activities			
Loan repayments		(16)	(1)
Proceeds from other non-current liabilities		1 350	-
Share-based payments		(141)	(133)
Dividends paid		(20 000)	(120 000)
Dividends paid to minority shareholders		(76)	(64)
Net cash flows from financing activities		<u>(18 883)</u>	<u>(120 198)</u>
Net increase/(decrease) in cash and cash equivalents		(31 298)	(83 898)
Cash and cash equivalents at the beginning of the year	16	39 632	123 530
Foreign exchange gains/(losses) from cash and cash equivalents		-	-
Cash and cash equivalents at the end of the year	16	<u>8 334</u>	<u>39 632</u>

Mondi SCP, a.s.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2014

1. GENERAL INFORMATION

a) Essential Information on the Company

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

b) Employees

	<i>Year Ended 31 December 2014</i>	<i>Year Ended 31 December 2013</i>
Average headcount	1 165	1 228
<i>Of which: Managers</i>	<i>17</i>	<i>21</i>

c) Approval of the 2013 Consolidated Financial Statements

The 2013 consolidated financial statements of Mondi SCP, a.s. were presented at the General Meeting held on 9 April 2014 and filed subsequently with the Court Register.

Based on the approval of the separate financial statements of Mondi SCP, a.s., by the General Meeting held on 9 April 2014, the Company paid dividends for 2014 to the shareholders in the amount of EUR 20 000 thousand. The dividends were paid on 28 April 2014.

d) Members of the Company's Bodies

<i>Body</i>	<i>Function</i>	<i>Name</i>
Board of Directors	Chairman	Miloslav Čurilla
	Deputy Chairman	Peter Orisich
	Member	Roman Senecký
	Member	Miroslav Vajs (since 21 Nov 2013) Franz Hiesinger
Supervisory Board	Chairman	Peter Josef Oswald
	Deputy Chairman	Milan Fiľo
	Member	Ján Krasuľa
Executive Management	President	Roman Senecký

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e) Shareholders Structure and Their Shares in the Registered Capital

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

f) Consolidated Financial Statements for Groups of Entities for Which the Reporting Consolidation Group is the Consolidated Reporting Entity

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.

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

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group adopted all of the new standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB as adopted by the EU that are relevant to its operations and are effective for reporting periods beginning on 1 January 2014. These include the following standards and interpretations:

- IFRS 10 "Consolidated Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- IFRS 11 "Joint Arrangements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- IFRS 12 "Disclosures of Interests in Other Entities", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- IAS 27 (revised in 2011) "Separate Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities" – Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 (revised in 2011) "Separate Financial Statements" – Investment Entities, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 32 "Financial Instruments: Presentation" – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IAS 36 "Impairment of Assets" – Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014); and
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

The adoption of these new standards and interpretations has not led to any changes in the Group's accounting policies, which would have an impact on the amounts recognised for the current and preceding reporting periods.

At the date of authorisation of these financial statements the EU endorsed for issue the following standards, revisions and interpretations, which were not yet effective:

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

The Group has elected not to adopt these standards, revisions, and interpretations in advance of their effective dates. The Group anticipates that the adoption of these standards and interpretations will have no material impact on the Group's financial statements in the future reporting periods.

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB), except for the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at 31 December 2014:

- IFRS 9 "Financial Instruments" and subsequent amendments (effective for annual periods beginning on or after 1 January 2018);
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016);
- IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2017);
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" – Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 1 "Presentation of Financial Statements" – Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" – Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" – Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 19 "Employee Benefits" – Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014);
- Amendments to IAS 27 "Separate Financial Statements" – Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016);
- Amendments to various standards "Improvements to IFRSs (cycle 2010 – 2012)" resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014); and
- Amendments to various standards "Improvements to IFRSs (cycle 2012 – 2014)" resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2016).

The Group anticipates that adopting these standards, amendments to the existing standards, and interpretations will have no material impact on its financial statements in the period of their initial application. 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 Group's estimates, the application of hedge accounting to 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.

3. SIGNIFICANT ACCOUNTING PRINCIPLES

a) Statement of Compliance

The financial statements represent the annual consolidated financial statements of Mondi SCP a.s., which have been prepared for the reporting period from 1 January 2014 to 31 December 2014 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with the Slovak Act on Accounting No. 431/2002 Coll. The IFRS as adopted by the EU do not currently differ from the 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 Group 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.

b) Basis of Preparation of the Consolidated Financial Statements

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

These financial statements were prepared under the going concern assumption.

The preparation of financial statements in conformity with IFRS as adopted by the EU requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are discussed in Note 4.

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

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

c) Unlimited Liability

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

d) Basis of Consolidation

(i) Subsidiaries

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

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

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

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

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

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

A list of consolidated subsidiaries in the Group can be found in Note 12.

(ii) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is regarded as the power to participate in the financial and operating policy decisions of the investee but is not considered control or joint control over those policies. Investments in associates are accounted for using the equity method as of the date on which the significant influence commences until the date on which it ceases. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate are not recognised.

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

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

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

e) Foreign Currency

(i) Transactions in Foreign Currencies

Transactions in foreign currencies are translated into euros using the rates on the exchange rate list of the European Central Bank (ECB) that are valid on the 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 the 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.

f) Financial Instruments

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

g) 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.

h) Property, Plant and Equipment

(i) Own Assets

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

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

(ii) The Group as Lessee

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

(iii) Subsequent Expenditures

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

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(iv) Depreciation

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 cost of up to EUR 1.7 thousand) are depreciated over two years.

Non-current tangible assets acquired under a 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.

i) 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 lives, 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.

j) Trade and Other Receivables

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

k) Inventories

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

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

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

A provision is created for slow moving and obsolete inventory.

l) Cash and Cash Equivalents

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

m) Impairment of Assets

At each preparation date of the statement of financial position, the Group 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of comprehensive income. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, 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 Group receivables is calculated as the present value of expected future cash flows discounted at their original effective interest rate inherent in the asset. Short-term receivables are not discounted. The recoverable amount of other assets is the higher of the fair value less the costs to sell and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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.

n) Dividends

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

o) Interest-Bearing Loans and Borrowings

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

p) Payables from Employee Benefit Plans

The Group operates a long-term employee benefit plan consisting of a lump-sum retirement payment and jubilee bonuses, for which no specified funds were allocated. Under IAS 19 "Employee Benefits", the expenses for employee benefits were determined using an incremental actuarial method, the so-called "Projected Unit Credit Method". Under this method, the costs of providing benefits are recognised in the statement of comprehensive income so as to spread the recurring expenses over the term of employment. The entire post-employment benefit obligation is measured at the present value of the estimated future cash outflows discounted at 2.00% (2013: 3.50%). All actuarial gains and losses are recognised through the statement of comprehensive income. Past service costs are recognised immediately in the extent to which the benefits are already vested; otherwise, they are amortised on a straight-line basis over the average period until the benefits become vested.

q) Mandatory Social Security and Pension Schemes

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

r) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle that obligation, and the amount of obligation can be estimated reliably. Provisions are measured on the basis of the 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.

s) Emission Rights

The Group 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 Group has received adequate emission rights to cover its actual emissions.

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t) 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.

u) 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 after eliminating sales within the Group. No revenue is recognised if there are significant uncertainties regarding the settlement of the consideration due, the associated costs or the possible return of goods, or the continuous involvement of the Group in managing the goods. Revenues from the provision of services are recognised when the relevant services are rendered in proportion to the stage of completion of the 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 Group complies with the conditions attached thereto. 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.

v) 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 profit and loss when incurred.

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

w) Income Tax

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

Current tax is based on the taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Group's current tax liability is calculated using the tax rates that are valid or enacted until the preparation date of the statement of financial position.

Deferred tax 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 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.

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

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Useful Lives

Non-current tangible and intangible assets are depreciated in accordance with their estimated actual useful life. The straight-line depreciation method is used.

Provisions for Liabilities

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

5. REVENUES

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

<i>(EUR '000)</i>	<i>Year Ended 31 December 2014</i>	<i>Year Ended 31 December 2013</i>
Revenues from the sale of core products	454 461	474 425
Revenues from the sale of non-core products and other revenues	18 185	21 203
Total	472 646	495 628

Revenues from the sale of the Group's core products mainly include revenues from the sale of office paper, pulp and wrapping paper. Revenues from the sale of the Group's non-core products and other revenues include revenues from the sale of energy, services, and other revenues.

6. RAW MATERIALS AND CONSUMABLES

<i>(EUR '000)</i>	<i>Year Ended 31 December 2014</i>	<i>Year Ended 31 December 2013</i>
Raw materials, direct and auxiliary materials (wood, pulp, chemicals, other)	208 972	215 749
Energy	39 152	41 361
Maintenance and felts and screens	18 700	19 649
Packages	10 906	11 150
Other	8 657	8 045
Total	286 387	295 954

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7. PERSONNEL EXPENSES

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

<i>(EUR '000)</i>	<i>Year Ended 31 December 2014</i>	<i>Year Ended 31 December 2013</i>
Wages	23 460	24 100
Social expenses and other personal expenses	8 993	9 978
Total	32 453	34 078

8. INVESTMENT INCOME AND FINANCE COSTS

<i>(EUR '000)</i>	<i>Year Ended 31 December 2014</i>	<i>Year Ended 31 December 2013</i>
Interest income	51	163
Other finance income	-	-
Total investment income	51	163
Interest expense	194	156
Total finance costs	194	156

9. INCOME TAX

<i>(EUR '000)</i>	<i>Year Ended 31 December 2014</i>	<i>Total</i>	<i>Year Ended 31 December 2013</i>
Current tax	8 372		13 043
Deferred tax (Note 21)	(4 002)		(7 423)
Income tax for the year	4 370		5 620

Income tax is calculated at 22% (2013: 23%) of the taxable profit for the year.

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

	<i>Year Ended 31 December 2014</i>		<i>Year Ended 31 December 2013</i>	
	<i>(EUR '000)</i>	<i>%</i>	<i>(EUR '000)</i>	<i>%</i>
Profit before tax	50 550		59 739	
Tax calculated using the local income tax rate of 22% or 23%	11 121	22.0	13 740	23.0
Permanent differences	(5)		91	
Effect of a change in the income tax rate	-		(2 128)	
Tax relief	(6 458)		(6 000)	
Accruals and other differences	(288)		(83)	
Income tax and effective tax rate for the year	4 370	8.6	5 620	9.4

For 2014, the Company applied income tax relief in the amount of EUR 6 458 thousand granted as a part of the investment aid in the total amount of EUR 25 375 thousand for the implementation of an investment project related to the acquisition of a new recovery boiler and the related infrastructure, as described in Note 11. In the following four years, the Company will evenly apply the remaining tax relief up to the approved amount once the set conditions are met.

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10. INTANGIBLE ASSETS

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

<i>(EUR '000)</i>	<i>Goodwill</i>	<i>Other Non-Current Intangible Assets</i>	<i>Total</i>
Cost			
At 1 January 2014	169	13 351	13 520
Additions	-	158	158
Transfers and reclassification	-	254	254
Disposals	-	(15)	(15)
At 31 December 2014	169	13 748	13 917
Amortisation			
At 1 January 2014	169	11 781	11 950
Charge for the year	-	927	927
Disposals	-	(15)	(15)
At 31 December 2014	169	12 693	12 862
Carrying amount			
At 1 January 2014	-	1 570	1 570
At 31 December 2014	-	1 055	1 055

Analysis of intangible assets for the year ended 31 December 2013:

<i>(EUR '000)</i>	<i>Goodwill</i>	<i>Other Non-Current Intangible Assets</i>	<i>Total</i>
Cost			
At 1 January 2013	169	13 203	13 372
Additions	-	170	170
Disposals	-	(35)	(35)
Transfers and reclassification	-	13	13
At 31 December 2013	169	13 351	13 520
Amortisation			
At 1 January 2013	169	10 896	11 065
Charge for the year	-	920	920
Disposals	-	(35)	(35)
At 31 December 2013	169	11 781	11 950
Carrying amount			
At 1 January 2013	-	2 307	2 307
At 31 December 2013	-	1 570	1 570

Other non-current intangible assets include software, valuable rights and non-current intangible assets in acquisition; these assets have limited useful lives, over which the assets are amortised. The amortisation period for software and valuable rights is four years.

As at 31 December 2014, non-current intangible assets in acquisition and advance payments made for non-current intangible assets amounted to EUR 40 thousand (31 December 2013: EUR 6 thousand).

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11. PROPERTY, PLANT AND EQUIPMENT

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

<i>(EUR '000)</i>	<i>Buildings and Structures</i>	<i>Machines and Equipment</i>	<i>Other Non-Current Tangible Assets</i>	<i>Total</i>
Cost				
At 1 January 2014	187 948	899 262	64 463	1 151 673
Additions	-	-	93 355	93 355
Disposals	(16)	(1 225)	(171)	(1 412)
Transfers and reclassification	21 016	115 135	(136 405)	(254)
At 31 December 2014	208 948	1 013 172	21 242	1 243 362
Accumulated depreciation and impairment				
At 1 January 2014	87 240	640 290	10 241	737 771
Depreciation charge and impairment	4 728	40 742	421	45 891
Disposals	(16)	(1 223)	(167)	(1 406)
Reclassification	(6)	-	6	-
At 31 December 2014	91 946	679 809	10 501	782 256
Carrying amount				
At 1 January 2014	<u>100 708</u>	<u>258 972</u>	<u>54 222</u>	<u>413 902</u>
At 31 December 2014	<u>117 002</u>	<u>333 363</u>	<u>10 741</u>	<u>461 106</u>

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

The breakdown of property, plant and equipment for the year ended 31 December 2013 is as follows:

<i>(EUR '000)</i>	<i>Buildings and Structures</i>	<i>Machines and Equipment</i>	<i>Other Non-Current Tangible Assets</i>	<i>Total</i>
Cost				
At 1 January 2013	189 408	892 669	18 542	1 100 619
Additions	-	-	56 024	56 024
Disposals	(2 483)	(1 276)	(1 198)	(4 957)
Transfers and reclassification	1 023	7 869	(8 905)	(13)
At 31 December 2013	187 948	899 262	64 463	1 151 673
Accumulated depreciation and impairment				
At 1 January 2013	85 514	598 141	10 965	694 620
Depreciation charge and impairment	4 196	43 415	469	48 080
Disposals	(2 470)	(1 266)	(1 193)	(4 929)
At 31 December 2013	87 240	640 290	10 241	737 771
Carrying amount				
At 1 January 2013	<u>103 894</u>	<u>294 528</u>	<u>7 577</u>	<u>405 999</u>
At 31 December 2013	<u>100 708</u>	<u>258 972</u>	<u>54 222</u>	<u>413 902</u>

Other non-current assets include assets in acquisition and advance payments made for non-current assets in the amount of EUR 52 558 thousand as at 31 December 2013. The increase in other non-current assets on a year-on-year basis resulted mainly from an ongoing investment project related to the acquisition of a new recovery boiler and the related infrastructure. As at 31 December 2013, invested funds amounted to EUR 38 792 thousand.

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

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

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

<i>Insured Object</i>	<i>Type of Insurance</i>	<i>Amount</i>	
		<i>2014</i>	<i>2013</i>
Passenger vehicles	Against theft, motor hull	2 251	188
Property, plant and equipment	Against natural disasters	1 299 833	1 320 451
Machines and equipment	Machine breakage	993 227	996 067
Inventories	Against natural disasters	40 086	38 399

12. SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2014:

<i>Name of Subsidiary</i>	<i>Place of Registration and Operation</i>	<i>Principal Activity</i>	<i>Ownership Share in %</i>	<i>Year of First Consolidation</i>
Obaly S O L O, spol. s r. o.	Tatranská cesta 3, 034 17 Ružomberok	Production and trading in paper goods	100	2001
STRÁŽNA SLUŽBA VLA-STA, spol. s r. o.	Tatranská cesta 3, 034 17 Ružomberok	Security services	100	2006
SLOWWOOD Ružomberok, a. s.	Tatranská cesta 3, 034 17 Ružomberok	Mediation of timber trade	66	2008

13. INVESTMENTS IN ASSOCIATES

Details of the Group's associates at 31 December 2014:

<i>Name of Associate</i>	<i>Place of Registration and Operation</i>	<i>Principal Activity</i>	<i>Ownership Share in %</i>	<i>Share in Voting Rights in %</i>
AG Banka, a.s.	Coborihó 2, 949 77 Nitra	In liquidation	27	-

14. INVENTORIES

<i>(EUR '000)</i>	<i>31 December 2014</i>	<i>31 December 2013</i>
Raw materials, consumables and spare parts	21 198	16 065
Work in progress and semi-finished goods	9 127	8 768
Finished goods	11 323	10 638
Total	41 649	35 471

As at 31 December 2014, the Group recorded provisions in the amount of EUR 13 481 thousand (2013: EUR 14 828 thousand) for obsolete and slow-moving inventory based on a detailed analysis of individual items of inventories. The analysis was prepared by the stocktaking committee as at the year-end and was based on an assessment of the net realisable value of inventories. Group entities re-assessed the recorded provisions for inventories and came to the conclusion that the amount of the provisions is sufficient. The inventories in the table above are recognised net of the provision.

15. TRADE AND OTHER RECEIVABLES

<i>(EUR '000)</i>	<i>31 December 2014</i>	<i>31 December 2013</i>
Amounts receivable from the sale of finished goods and services	65 830	67 019
Other receivables, other tax assets and advance payments made	11 127	8 910
Total	76 957	75 929

The Group created a provision for estimated irrecoverable receivables from the sale of finished goods and other receivables in the amount of EUR 216 thousand (2013: EUR 234 thousand). This provision was determined with reference to past default experience. The management believes that the carrying amount of trade and other receivables approximates their fair value.

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

(EUR '000)	31 December 2014	31 December 2013
Within maturity	76 361	75 694
Overdue	812	469
Total	77 173	76 163

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

The Group recorded no receivables under lien.

16. 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 is attached to cash and cash equivalents that would result in any restrictions of the Company's asset handling.

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

(EUR '000)	31 December 2014	31 December 2013
Cash and cash equivalents	8 334	39 632
Total	8 334	39 632

As at 31 December 2014, the amount of EUR 7 417 thousand represents the cash pooling balance with Mondi Finance Ltd (31 December 2013: EUR 38 960 thousand).

17. REGISTERED CAPITAL

The registered capital was issued in the form of bearer shares. As at 31 December 2014 and 2013, the total number of issued shares was 4 635 034, and the face value per share was EUR 33.193919. All of the Company's shares were paid. None of the Company's shares are quoted on the stock exchange.

18. CAPITAL AND OTHER FUNDS

As at 31 December 2014, funds from profit (legal reserve fund and statutory funds) in the amount of EUR 89 411 thousand were mainly recognised under capital funds. Other funds include a fund comprising an actuarial loss on employment benefits upon employment termination in the amount of EUR 21 thousand.

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19. INTEREST-BEARING BORROWINGS

<i>(EUR '000)</i>	<i>31 December 2014</i>	<i>31 December 2013</i>
Other borrowings	4	19
Total	4	19

Interest-bearing borrowings are repayable as follows:

<i>(EUR '000)</i>	<i>31 December 2014</i>	<i>31 December 2013</i>
Within one year	4	19
	4	19
Less: Amount due for settlement within 12 months (recognised as current liabilities)	(4)	(19)
Amount due for settlement after 12 months	-	-

In 2014, the Group did not draw any short- or long-term bank loans. As at 31 December 2014, the Group did not draw any investment or operating loan.

20. DEFERRED TAX LIABILITY

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

	<i>Difference in NBV of Non- current Assets</i>	<i>Other Temporary Differences</i>	<i>Tax Loss</i>	<i>Total</i>
At 1 January 2014	51 193	(4 389)	-	46 804
Charge to profit or loss	(4 187)	213	(28)	(4 002)
Charge to equity	-	(13)	-	(13)
At 31 December 2014	47 006	(4 189)	(28)	42 789
<i>Out of it:</i>				
Deferred tax liability				42 940
Deferred tax asset				151

21. PROVISIONS FOR LIABILITIES

<i>(EUR '000)</i>	<i>Provision for Restoration of Landfill</i>	
	<i>Non-Current</i>	<i>Current</i>
At 1 January 2014	1 150	-
Additions	86	-
Use	(4)	-
At 31 December 2014	1 232	-

Additions to provisions for the restoration of a landfill related to the recognition of interest charges adjusting the amount of the provision to the net present value as at 31 December 2014 in the amount of EUR 86 thousand.

22. TRADE AND OTHER PAYABLES

<i>EUR '000</i>	<i>31 December 2014</i>	<i>31 December 2013</i>
Trade payables	59 842	67 115
CAPEX trade payables	17 851	17 203
Other payables	7 606	7 399
Total	85 299	91 717

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Breakdown of trade payables by maturity:

Item	Maturity				Total
	Within Maturity Period	Retainer	Up to 365 Days Overdue	Over 365 Days Overdue	
As at 31 December 2014					
Trade payables (including CAPEX payables)	66 990	2 779	7 064	860	77 693
As at 31 December 2013					
Trade payables (including CAPEX payables)	74 705	853	8 646	114	84 318

Other payables comprise the following items:

(EUR '000)	31 December 2014	31 December 2013
Payables to employees, from social security insurance and other taxes	5 980	5 969
Social fund	678	698
Estimated liabilities	679	604
Other	269	128
Total	7 606	7 399

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

23. FINANCIAL RISK MANAGEMENT

Capital Risk Management

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

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

(EUR '000)	31 December 2014	31 December 2013
Debt (i)	4	19
Cash and cash equivalents	8 334	39 632
Net debt	(8 330)	(39 613)
Equity	456 694	430 637
Net debt to equity ratio	(0.02)	(0.09)

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

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

Categories of Financial Instruments

(EUR '000)	31 December 2014	31 December 2013
Loans and receivables (inclusive of cash and cash equivalents)	85 291	115 561
Financial assets	85 291	115 561
Trade payables and payables to related parties	85 299	91 717
Bank loans recognised at amortised costs	4	19
Financial liabilities	85 303	91 736

a) Financial Risk Factors

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

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

Credit Risk

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

Interest Rate Risk

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

Interest Rate Sensitivity

As the Group did not draw any long- or short-term bank loans in 2014, the Group has not been exposed to any interest rate risk. Therefore, no sensitivity analysis was performed. As at 31 December 2014, the Group has no open interest rate derivatives.

Foreign Currency Risk

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

As at 31 December 2014, the Group had no open derivative transactions to hedge against currency risk. In 2014 and 2013, the Group did not account for any currency derivatives.

Liquidity Risk

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

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

The table includes both interest and principal cash flows during the term of the loan agreement.

(EUR '000)	<i>Weighted Average Effective Interest Rate</i>	<i>Up to 1 Month</i>	<i>1 - 3 Months</i>	<i>3 Months- 1 Year</i>	<i>1 - 5 Years</i>	<i>5 Years and More</i>	<i>Total</i>
2014							
Interest-free	-	59 666	2 138	23 524	-	-	85 327
Floating interest rate instruments	-	4	-	-	-	-	4
Total		59 670	2 138	23 524	-	-	85 331
2013							
Interest-free	-	69 177	2 556	20 048	-	-	91 781
Floating interest rate instruments	-	19	-	-	-	-	19
Total		69 196	2 556	20 048	-	-	91 800

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

b) Fair Value Estimation

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

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

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

24. RELATED PARTY TRANSACTIONS

a) Shareholders Structure

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 the Company's registered capital, and ECO-INVEST, a.s., based in Bratislava, Námestie SNP - Obchodná ulica 2 - 6, which owns a 49% share in the Company's registered capital.

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

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b) Trading Transactions

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

<i>Company</i>	Year Ended 31 December 2014			
	<i>Sales of Goods and Services</i>	<i>Purchases of Goods and Services</i>	<i>Receivables</i>	<i>Payables</i>
ECO-INVEST a. s., Ružomberok	-	3 750	-	336
Mondi Paper Sales Wien	371 047	44 256	55 369	7 819
Mondi Neusiedler GmbH	13 546	257	1 155	88
Mondi Corrugated Swiecie sp Zoo	-	3 791	-	725
Mondi Swiecie	46	528	7	192
Mondi Syktyvkar	1 461	-	19	-
Mondi Štětí, a. s.	44	-	-	-
SHP Harmanec a. s.	8 883	-	667	-
Mondi Uncoated Fine & Kraft Paper GmbH	110	3 116	22	830
Mondi AG	245	678	35	88
Mondi London Plc	-	141	-	-
Mondi Finance Limited	-	12	-	67
Mondi Lohja Oy	105	47	29	63
Mondi Coating Štětí, a. s.	-	263	-	40
Mondi Bags Štětí, a. s.	36	-	6	-
Total	395 523	56 839	57 309	10 248

<i>Company</i>	Year Ended 31 December 2013			
	<i>Sales of Goods and Services</i>	<i>Purchases of Goods and Services</i>	<i>Receivables</i>	<i>Payables</i>
ECO-INVEST a. s., Ružomberok	-	3 757	-	358
Mondi Paper Sales Wien	397 679	60 942	57 766	13 791
Mondi Neusiedler GmbH	11 308	255	1 009	17
Mondi Corrugated Swiecie sp Zoo	-	3 534	-	597
Mondi Syktyvkar	2	-	2	-
SHP Harmanec, a. s.	10 438	-	1 867	-
Mondi Uncoated Fine & Kraft Paper GmbH	103	3 657	22	656
Mondi AG	206	1 175	11	80
Mondi London Plc	-	133	-	-
Mondi Services UK	-	-	-	2
Mondi Lohja Oy	137	45	29	49
Mondi Coatings & Consumer Packaging GmbH	-	-	-	1
Mondi Coating Štětí, a. s.	-	245	-	30
Mondi Bags Štětí a. s.	48	-	6	-
Total	419 921	73 743	60 712	15 761

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

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

Compensation of Key Management Personnel

The salaries and remuneration of the Group's bodies was as follows:

<i>(EUR '000)</i>	Year Ended 31 December 2014	Year Ended 31 December 2013
Top Management	2 112	1 647
Total	2 112	1 647

25. COMMITMENTS AND CONTINGENCIES

a) Litigation and Potential Losses

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

b) Emissions Rights

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

The Group has opted to record emissions rights received using the net liability method; it does not record any liability for actual emissions on the basis that the Company has received adequate emissions rights to cover its actual emissions. The Group has an obligation to deliver emissions rights for actual emissions. This obligation will be satisfied by delivering emissions rights by 30 April 2014 for the 2013 compliance period. The Group received emissions rights in January 2014 for the 2013 compliance period.

c) Bank Guarantees

VÚB a.s. issued bank guarantees of up to EUR 29 115 on behalf of Slovenská elektrizačná prenosová sústava, a.s. (SEPS, a.s.) to secure liabilities resulting from the agreement concluded between Mondi SCP, a.s. and SEPS, a.s. In the event of default, the Company is obliged to pay VÚB a.s.

Deutsche bank issued a bank guarantee of up to EUR 8 600 000 on behalf of Lesy SR, š.p. to secure liabilities resulting from the agreement concluded between Slovwood Ružomberok, a. s. and Lesy SR, š.p. In the event of default, the Company is obliged to pay Deutsche bank.

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

d) Capital Expenditures

As at 31 December 2014, the Group did not conclude significant investment contracts.

26. POST-BALANCE SHEET EVENTS

After 31 December 2014 and up to the authorisation date of the consolidated financial statements, no significant events occurred that would have a material impact on the Company's assets and liabilities.

Prepared on:

25 February 2015


**Signature of the Person
Responsible for
Bookkeeping:**


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

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

Approved on:

26 February 2015


LUCIA HALGÁT 2430/21/10 01A


MILAN ŠLOBODA





ROMAN SENECKÝ

MILOSLAV ČURILI