
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 2018**

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 2018

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Independent Auditor's Report

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

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Mondi SCP, a.s. and its subsidiaries (together - the "Group") as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Reporting on other information in the consolidated annual report

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

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The company's ID (IČO) No. 35739347.

Tax Identification No. of PricewaterhouseCoopers Slovensko, s.r.o. (DIČ) 2020270021.

VAT Reg. No. of PricewaterhouseCoopers Slovensko, s.r.o. (IČ DPH) SK2020270021.

Spoločnosť je zapísaná v Obchodnom registri Okresného súdu Bratislava 1, pod vložkou č. 16611/B, oddiel: Sro.

The company is registered in the Commercial Register of Bratislava 1 District Court, ref. No. 16611/B, Section: Sro.



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

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

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

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

- the information given in the consolidated annual report for the year ended 31 December 2018 is consistent with the consolidated financial statements; and
- the consolidated annual report has been prepared in accordance with the Accounting Act.

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

Management's responsibilities for the consolidated financial statements

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

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

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

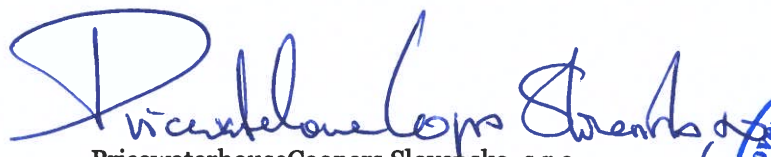
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



PricewaterhouseCoopers Slovensko, s.r.o.
SKAU licence No. 161

Bratislava, 23 April 2019



Ing. Eva Hupková, FCCA
SKAU licence No. 672

Mondi SCP, a. s.
CONSOLIDATED OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2018

<i>(EUR'000)</i>	Note	Year Ended 31 December 2018	Year Ended 31 December 2017 (restated)*
Continuing operations			
Revenues	5	829,767	789,712
Raw materials and consumables	7	(525,385)	(481,290)
Transportation and selling costs	6	(50,180)	(50,592)
Changes in inventories of finished goods and work in progress		7,474	5,919
Other services	8	(37,676)	(39,312)
Personnel expenses	9	(83,363)	(82,653)
Depreciation, amortisation expenses and impairment	13,14,27	(55,953)	(54,914)
Other operating expenses and income	10	13,537	4,506
Operating profit		98,221	91,376
Finance income	11	25	51
Finance costs	11	(2,801)	(2,551)
Share of profit of joint ventures accounted for using the equity method	16	(234)	(27)
Profit before income tax		95,211	88,849
Income tax expense	12	(22,599)	(18,874)
Net profit for the reporting period		72,612	69,975
Other comprehensive income			
<i>Items reclassified to profit or loss:</i>			
Profit from revaluation of financial assets available for sale	29	(402)	53
Net change in hedging derivatives, net of tax		86	(89)
Total items reclassified to profit or loss		(316)	(36)
<i>Items not reclassified to profit or loss:</i>			
Gains/(losses) from revaluation of defined benefit plans, net of tax	22	(16,032)	7,090
Total items not reclassified to profit or loss:		(16,032)	7,090
Other comprehensive income/(expenses), net of tax		(16,348)	7,054
Comprehensive income for the year		56,264	77,029
Net profit for the reporting period attributable to:		72,612	69,975
- Non-controlling interests		30	44
- Holders of the parent company's shares		72,582	69,931
Comprehensive income for the year attributable to:		56,264	77,029
- Non-controlling interests		33	44
- Holders of the parent company's shares		56,231	76,985

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements
*Restatement is based on adoption of new IFRS standards IFRS 15 and IFRS 16

Mondi SCP, a. s.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

<i>(EUR'000)</i>	<i>Note</i>	31 December 2018	31 December 2017 (Restated)*	1 January 2017 (Restated)*
Assets				
Non-current assets				
Intangible assets	13	1,200	1,095	1,122
Property, plant and equipment	14	523,605	487,795	498,944
Non-current assets with a right to use	27	3,294	5,589	8,352
Investments in Joint Ventures accounted for using the equity method	16	579	813	-
Financial assets accounting using FVTPL	29	3,772	3,937	3,865
Deferred tax assets	24	504	388	1,981
Trade receivables and other receivables	18	207	410	-
		533,161	500,027	514,264
Current assets				
Inventories	17	97,235	79,014	74,772
Trade and other receivables	18	108,514	118,636	118,127
Current tax assets		29	75	55
Cash and cash equivalents	19	1,678	735	4,845
Assets from Cash pooling within Mondi Group	30	144,378	144,746	101,184
Derivative financial instruments		7	-	11
		351,841	343,206	298,994
TOTAL ASSETS		885,002	843,233	813,258
Equity and liabilities				
Capital and reserves				
Share capital	20	153,855	153,855	153,855
Other reserves	21	61,381	77,732	70,678
Retained earnings		347,303	304,319	274,388
Equity attributable to the parent company's owners		562,539	535,906	498,921
Non-controlling interests		260	227	183
TOTAL EQUITY		562,799	536,133	499,104
Non-current liabilities				
Loans and credits	23	33,041	-	-
Leasing commitments	27	926	2,954	6,314
Employee benefit plan obligations	22	54,189	39,539	48,557
Deferred tax liabilities	24	37,944	36,513	37,134
Provisions	25	2,370	1,903	1,414
Other non-current liabilities	26	23,183	36,253	42,253
		151,653	117,162	135,672
Current liabilities				
Loans and credits	23	10,768	42,566	35,294
Leasing commitments	27	2,811	3,598	3,490
Trade and other payables	26	151,638	133,445	133,859
Current tax liabilities		3,256	8,124	4,667
Provisions	25	2,057	2,054	1,172
Derivative financial instruments		20	151	-
		170,550	189,938	178,482
TOTAL LIABILITIES		322,203	307,100	314,154
TOTAL EQUITY AND LIABILITIES		885,002	843,233	813,258

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements
*Restatement is based on adoption of new IFRS standards IFRS 15 and IFRS 16

Mondi SCP, a. s.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

	Share capital	Other reserves	Retained earnings	Total equity attributable to the parent company's owners	Non-controlling interest	Total
<i>(EUR'000)</i>						
Balance as at 1 January 2017	153,855	70,678	275,534	500,067	183	500,250
Impact of implementation of IFRS16	-	-	(1,146)	(1,146)	-	(1,146)
Balance as at 1 January 2017 (restated)*	153,855	70,678	274,388	498,921	183	499,104
Profit for the current year (restated)*	-	-	69,931	69,931	44	69,975
Other comprehensive income						
Actuarial loss on provisions from employee benefits program	-	7,090	-	7,090	-	7,090
Fund from the revaluation of long-term financial assets	-	53	-	53	-	53
Revaluation of hedging derivatives	-	(89)	-	(89)	-	(89)
Total comprehensive income after tax for the year (restated)*	-	7,054	69,931	76,985	44	77,029
Dividends paid	-	-	(40,000)	(40,000)	-	(40,000)
Balance as at 31 December 2017 (restated)*	153,855	77,732	304,319	535,906	227	536,133
Profit for the current year	-	-	72,582	72,582	30	72,612
Other comprehensive income						
Actuarial gain on provisions from employee benefits program	-	(16,035)	-	(16,035)	3	(16,032)
Fund from the revaluation of long-term financial assets (reclassification)	-	(402)	-	(402)	-	(402)
Revaluation of hedging derivatives	-	86	-	86	-	86
Total comprehensive income after tax for the year	-	(16,351)	72,582	56,231	33	56,264
Dividends paid	-	-	(30,000)	(30,000)	-	(30,000)
Fund from the revaluation of long-term financial assets (reclassification)	-	-	402	402	-	402
Balance as at 31 December 2018	153,855	61,381	347,303	562,539	260	562,799

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements

*Restatement is based on adoption of new IFRS standards IFRS 15 and IFRS 16

Mondi SCP, a. s.
CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2018

<i>(EUR'000)</i>	Note	Year Ended 31 December 2018	Year Ended 31 December 2017 (restated)*
Operating activities			
Operating profit		98,221	91,376
Non-cash transactions			
- Depreciation, amortisation and impairment of non-current assets	13,14,27	55,953	54,914
- Loss/(profit) from the sale of non-current assets	10, 28	1	(1,097)
- Financial liability revaluation	10	(13,201)	(4,491)
- Other non-cash transactions		(628)	1,977
Operating cash flows before movements in working capital		140,346	142,679
Effect of movements in working capital			
- Decrease/(increase) of inventories	17	(19,813)	(5,041)
- Decrease/(increase) of receivables	18	10,089	(981)
- Decrease/(increase) of payables	26	8,066	(6,286)
Cash flows from operating activities before taxation and interest		138,688	130,371
Interest paid		(1,139)	(1,315)
Income tax expense paid		(25,730)	(16,775)
Cash flows from operating activities, net		111,819	112,281
Investing activities			
Payments for the purchase of property, plant and equipment and intangible assets	13,14,27	(78,486)	(36,749)
Proceeds from sales of tangible fixed assets		245	714
Payments for acquisition of financial investments		-	(576)
Interest received		17	64
Dividends received from joint ventures		-	71
Increase in Assets from cash pooling within Mondi Group	30	368	(43,562)
Cash flows from investing activities, net		(77,856)	(80,038)
Financial activities			
Loan repayments	23	-	(555)
Proceeds from loans	23	1,244	7,827
Payments of lease obligations	27	(4,189)	(3,567)
Share-based payments		(75)	(58)
Dividends paid	21	(30,000)	(40,000)
Cash flows from financial activities, net		(33,020)	(36,353)
Net increase/(decrease) in cash and cash equivalents		943	(4,110)
Cash and cash equivalents at the beginning of the year	19	735	4,845
Foreign exchange gains/(losses) from cash and cash equivalents		-	-
Cash and cash equivalents at the end of the year	19	1,678	735

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements
*Restatement is based on adoption of new IFRS standards IFRS 15 and IFRS 16

1. GENERAL INFORMATION

a) Essential Information on the Company

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

b) Employees

	<i>Year Ended 31 December 2018</i>	<i>Year Ended 31 December 2017</i>
Average number of employees	1,883	1,791
<i>of which: managers</i>	<i>30</i>	<i>30</i>

c) Approval of the 2017 Consolidated Financial Statements

The 2017 consolidated financial statements of Mondi SCP, a.s. were approved at the General Shareholders' Meeting held on 24 April 2018 and filed subsequently with the Court Register.

Based on the approval of the separate financial statements of Mondi SCP, a.s., by the General Shareholders' Meeting held on 24 April 2018, the Company paid the shareholders dividends for 2017 in the total amount of EUR 30,000 thousand. Dividends were paid out on 23 May 2018.

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

Mondi SCP, a. s.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2018

d) Members of the Company's Bodies

Members of the Company's Bodies during financial year ending 31 December 2018:

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

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

<i>Body</i>	<i>Function</i>	<i>Name</i>
Boards of Directors	Chairman	Miloslav Čurilla
	Deputy Chairman	Peter Orisich
	Member	Bernhard Peschek
	Member	Miroslav Vajs
	Member	Franz Hiesinger until 24 May 2017
	Member	Walter Seyser from 25 May 2017 until 31 October 2017
	Member	Gabriele Schalleger from 1 November 2017
Supervisory Board	Chairman	Peter Josef Oswald
	Deputy Chairman	Milan Fišo
	Member	Ján Krasuľa
Executive Management	President	Bernhard Peschek

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

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

During years ending 31 December 2018 and 31 December 2017 there was no change in the structure of shareholders and their share in the share capital.

f) Consolidated Financial Statements for Mondi Groups

Mondi SCP, a.s. Group consists of the subsidiaries and joint ventures presented in Notes 15 and 16. Mondi SCP, a.s. prepares both separate financial statements and consolidated financial statements for Mondi SCP, a.s., in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with the Slovak Act on Accounting No. 431/2002 Coll.

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

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

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

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards, interpretations and revised standards effective for the first time for the year ending 31 December 2018

(i) The following standards have been applied for the first time for the year ending 31 December 2018 and their impact on the financial statements of the Group is described in note 33.

- IFRS 9 – Financial instruments
- IFRS 15 – Revenue from contracts with customers
- IFRS 16 – Leases

Adoption of IFRS 9 "Financial Instruments". The Group adopted IFRS 9, Financial Instruments, from 1 January 2018. The Group elected not to restate comparative figures and recognised any adjustments to the carrying amounts of financial assets and liabilities in the opening retained earnings as of the date of initial application of the standards, 1 January 2018. Consequently, the revised requirements of the IFRS 7, Financial Instruments: Disclosures, have only been applied to the current period. The comparative period disclosures repeat those disclosures made in the prior year.

The significant new accounting policies applied in the current period are described in Note 3.

As a result of adopting the new standard IFRS 9, financial assets historically classified as „available for sale“ and „loans and receivables“ were transferred into categories „amortised cost“ and „fair value through profit and loss (FVTPL)“. Transfer among the categories of the financial assets had no impact on the valuation of these financial assets.

The Company considered the impact of this standard on its financial statements and assessed the impact as insignificant.

Transitional application

The Group has adopted IFRS 9, 'Financial Instruments', on 1 January 2018 and in accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. Revenue from sales of goods is recognized at the point in time, when the control transfers to the customer. Contracts have single separate performance obligation. Timing of revenue recognition is not materially different from revenue recognition principles under IAS 11 and IAS 18.

The significant new accounting policies relating to revenue recognition are further described in Note 3.

The impact of adoption of IFRS 15 is disclosed in Note 33.

Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

Transitional application

The Group has elected to adopt IFRS 15, 'Revenue from Contracts with Customers', with the retrospective transitional option per IFRS 15, C3 (a), in accordance with IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', subject to expedients. The Group has used the following practical expedients as permitted by IFRS 15:

- for completed contracts that began and ended in the same annual reporting period, no restatement has been done;
- for completed contracts that have variable consideration, the transaction price at the date on which the contract was completed has been used; and
- for the comparative 2017 period, the amount of the transaction price allocated to remaining performance obligations is not disclosed.

IFRS 16 "Leases" (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the statement of profit or loss and other comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Company assessed the impact of the amendments on its financial statements in note 33.

(ii) The following standards have been applied for the first time for the year ending 31 December 2018 and their impact on the financial statements of the Group is not significant.

- Annual Improvement to IFRS Standards 2014-2016 Cycle
- Revised Standard IAS 40 – Investment Property (issued on 8 December 2016 and effective in the EU for annual periods beginning on or after 1 January 2018)
- Revised Standard IFRS 2 – Share-based Payments (issued on 20 June 2016 and effective in the EU for annual periods beginning on or after 1 January 2018)
- Revised Standard IFRS 4 – Insurance Contracts (issued on 12 September 2016 and effective in the EU for annual periods beginning on or after 1 January 2018)
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective in the EU for annual periods beginning on or after 1 January 2018)

Transition application

The Group has elected to adopt IFRS 16, 'Leases', with the retrospective transitional option per IFRS 16, C5 (a), in accordance with IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'. The Group has elected to use practical expedient per IFRS 16 C3, according to which the definition of leases according to IFRS 16 will only be applied to assessment of contracts effective after the first application of the standard, whether they are leases or contain an embedded lease. All contracts that were assessed before will not be reassessed.

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

The following standards will be applied for the first time for the year ending 31 December 2019 or after.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB)
- IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019)
- Prepayment Features with Negative Compensation - Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019)
- Annual Improvements to IFRSs 2015-2017 cycle - amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019)
- Plan Amendment, Curtailment or Settlement - Amendments to IAS 19 (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019)
- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020)
- Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020)
- Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020)

The Company is currently assessing the impact of the amendments on its financial statements.

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 2018 to 31 December 2018 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with the Slovak Act on Accounting No. 431/2002 Coll. IFRS as adopted by the EU do not differ from IFRS as issued by the International Accounting Standards Board (IASB), except for certain standards and interpretations, which were not endorsed by the EU, as stated above.

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

b) Basis of Preparation of the Consolidated Financial Statements

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

These financial statements were prepared under the going concern assumption.

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

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

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

c) Unlimited Liability

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

d) Accounting policies

(i) Subsidiaries

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

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of fair values, at the date of exchange, of the respective assets, liabilities

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

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

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

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

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

Acquisition of subsidiaries under common control

The acquisition of subsidiaries (being businesses in the meaning of IFRS 3) under common control is accounted for using predecessor accounting method. The predecessor accounting method is used prospectively from the acquisition date and the results of the acquiree are consolidated only from the date of the acquisition. Assets acquired and liabilities assumed are recognised using the carrying values from the common controlling party's consolidated financial statements. The difference between the cost of the business combination and the value of the Group's interest in the carrying amount of the identifiable assets, liabilities and contingent liabilities recognized in the acquired entity is recognized directly in equity under the line "Other equity".

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

(ii) Joint ventures

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

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

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

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

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

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

Gain or loss on sale of shares in subsidiaries is determined as the difference between subsidiary's net assets value adjusted for unwritten-off portion of goodwill and the sale price.

Profit or loss on sale of interests in joint ventures is the difference between carrying amount and their sale price.

e) Foreign Currency

(i) Functional and presentation currency of the financial statements

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

(ii) Transactions in Foreign Currencies

Transactions in foreign currencies are translated into euros using the rates on the exchange rate list of the European Central Bank (ECB) that are valid on the transaction date. Monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Exchange differences arising on the retranslation of monetary items are included in the statement of profit or loss and other comprehensive income for the period. Non-monetary items denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of transaction. Non-monetary items carried at fair value that are denominated in foreign currencies are translated to the reporting currency at the rates prevailing on the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in the statement of profit or loss and other comprehensive income for the period except for differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income.

f) Financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

g) Transaction Costs

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

h) Property, Plant and Equipment

(i) Own Assets

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

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

(ii) Leased assets

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

(iii) Subsequent Expenditures

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

(iv) Depreciation

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

Depreciation is charged evenly on a straight-line basis.

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

i) Intangible Assets

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

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

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

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

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

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

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

j) Trade and other receivables

Trade receivables are initially measured at fair value and are subsequently recognised at the carrying amount obtained using the effective interest rate method, while their value is reduced by a provision. The recoverable amount of Group receivables is calculated as the present value of expected future cash flows discounted at their original effective interest rate inherent in the asset. Short-term receivables are not discounted.

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

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

k) Inventories

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

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

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

A provision is created for slow moving and obsolete inventory.

l) Cash and Cash Equivalents

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

m) Impairment of Non-financial Assets

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

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

n) Dividends

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

o) Interest-Bearing loans and Borrowings

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

p) Leases

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

An asset with a right to use is initially measured at cost and includes the amount of the initial measurement of the lease obligation, any lease payments made before the start date, and an estimate of the costs incurred by the lessee to dismantle and remove the asset and to restore the location where it is located or restore the asset to the condition required by the lease conditions.

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

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

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

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

q) Employee Benefit Plans obligation

(i) Costs of Pension Schemes

Some Group companies make contributions to a number of pension funds. Financing is usually made via contributions to insurance or management companies. The contributions are set based on actuarial calculations. The Group makes contributions to defined pension benefit funds and to defined contribution funds. As regards the defined benefit pension funds, the defined benefit amount an employee receives

upon retirement usually depends on one or several factors, i.e. age, number of years worked and final salary. The defined contribution fund is a pension fund to which the Group makes fixed contributions. The Group has no statutory or other obligation to make additional contributions if the amount of the fund's assets is insufficient to pay all of the benefits to employees, to which they are entitled for the current and past periods.

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

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

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

(ii) Other Post-Employment Benefits

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

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

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

Such liabilities are annually calculated by third party qualified actuaries.

(iii) Retirement Payment

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

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

(iv) Other long term employee benefits

The Group has an obligation to pay work anniversary long service bonuses. These obligations are recognised as liabilities estimated annually by independent actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined (a) by discounting the estimated future cash outflows using interest rates of high quality corporate bonds, which have terms to maturity approximating the terms of the related liability and (b) then attributing the calculated present value to the periods of service based on the plan's benefit formula. Actuarial remeasurements of the obligation to pay work anniversary long service bonuses are recognised in profit or loss for the year as employee benefits expense when incurred. Past service costs, if any, are expensed when incurred.

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

r) Mandatory Social Security and Pension Schemes

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

s) Provisions

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

t) Emission Rights

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

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

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

u) Trade and Other Payables

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

v) Revenue Recognition

Revenue from contracts with customers

(i) Goods Sold and Merchandise

For sales of goods and merchandise, revenues are recognised when all significant risks and rewards of ownership have been transferred to the buyer and no significant uncertainties remain regarding the collection of consideration, associated costs and possible claims or returning of goods. Revenues are stated net of taxes and discounts after eliminating sales within the Group. No revenue is recognised if there are significant uncertainties regarding the settlement of the consideration due, the associated costs or the possible return of goods, or the continuous involvement of the Group in managing the goods.

(ii) Sales of services

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

Other revenues

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

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

w) Expenses

(i) Finance Costs and Income

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

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

x) Government Grants

A government grant is recognised in the statement of financial position when it is certain that the grant will be received and that the Group complies with the conditions attached thereto. Grants for the reimbursement are recognized as income over the period necessary to compensate for the systematic grant with the costs on which payment of the grant is intended. Grants for the acquisition of non-current tangible assets are recognised through the statement of profit or loss and other comprehensive income in Other income on a systematic basis over the useful life of the asset.

y) Income Tax

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

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

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

Deferred tax liabilities are recognized for taxable temporary differences which are a result of investments in subsidiaries and associates and for shares in joint ventures, except for cases when the Group controls the release of the temporary difference, while it is probable that the temporary difference will not be realized in near future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised. The expected tax rate of 21% and 25% effective in the Slovak Republic and Austria, respectively, valid for the following years was used to calculate deferred income tax. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

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

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

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

a) Critical accounting estimates

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

(i) Useful Lives

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

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is economic useful life of non-current tangible assets. The economic useful life of tangible fixed assets stated in Note 3 h) was based on the best estimate of the Group's management. Should the estimated full useful life of non-current tangible assets be shorter by 10%, the Group would record additional annual depreciation charge of non-current tangible assets of EUR 14,815 thousand (2017: EUR: 15,510 thousand). Should the estimated full useful life of non-current tangible assets be longer by 10%, the Group would record depreciation charge lower by EUR 4,254 thousand (2017: EUR 4,639 thousand).

(ii) Calculation of employee benefits obligation

The Group recognises a significant amount as a provision for long-term employee benefits for its current employees. The valuation of this provision is sensitive to the assumptions used in the calculations, such as future levels of earnings and benefits, discount rates, fluctuations, retirement age, mortality and average life expectancy. Further details are described in Note 22. Assumptions used are based on Austrian indicators since employee benefit plans are used by Austrian subsidiaries.

(iii) The fair value of the consideration regarding the acquisition of Austrian subsidiaries

The Group determined the amount of the liability arising from the purchase of Austrian company Mondi Neusiedler GmbH, and Ybbstaller Zellstoff GmbH (further details of purchase are described in Note 15), depending on the results of operations of acquired subsidiaries. The liability is determined based on expected EBITDA of acquired subsidiaries over the next five years in excess of the agreed level of EBITDA taking into account the payment of dividends and adjusted to present value. Changes in the assumptions of these indicators may affect the fair value of liabilities. The discount rate for the current value adjustment was used in the amount of 1.6%. Further details are described in Note 26.

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5. REVENUES

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

<i>(EUR'000)</i>	<i>Year Ended 31 December 2018</i>	<i>Year Ended 31 December 2017 (restated)*</i>
Revenue from contracts with customers		
Revenues from the sale of group's main activity products	786,372	751,550
Revenues from the sale of group's secondary activities products	19,326	18,528
Total revenue from contracts with customers	805,698	770,078
Other revenues		
Revenue from green energy sales and CO2 emissions	18,119	15,267
Revenues from services, other revenues	5,950	4,367
Total other revenues	24,069	19,634
Total	829,767	789,712

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

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

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

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

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

<i>(EUR'000)</i>	<i>Year Ended 31 December 2018</i>	<i>Year Ended 31 December 2017 (restated)*</i>
Slovakia	42,270	39,887
East Europe	25,959	28,706
West Europe	12,780	10,601
Asia	9,822	9,462
Total	90,831	88,656

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements
 *Restatement is based on adoption of new IFRS standards IFRS 15 and IFRS 16

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

<i>(EUR'000)</i>	<i>Year Ended 31 December 2018</i>	<i>Year Ended 31 December 2017 (restated)*</i>
Paper	26,549	23,671
Pulp	48,000	47,551
Revenues from the sales of production from the principal activities of the Group	74,549	71,222
Wood	4,603	5,591
Energy	7,485	8,227
Paper for recycling	2,428	1,675
Other	1,766	1,941
Revenues from the sales of production from the subsidiary activities of the Group	16,282	17,434
Total	90,831	88,656

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

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

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

<i>(EUR'000)</i>	<i>Year Ended 31 December 2018</i>	<i>Year Ended 31 December 2017 (restated)*</i>
Mondi Paper Sales, Austria	700,244	668,947
Mondi Syktyvkar, Russia	11,645	11,404
Mondi Swiecie, Poland	2,978	1,030
Mondi Coating Zeltweg, Austria	-	41
Total	714,867	681,422

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

<i>(EUR'000)</i>	<i>Year Ended 31 December 2018</i>	<i>Year Ended 31 December 2017 (restated)*</i>
Paper	711,823	680,328
Revenues from the sales of production from the principal activities of the Group	711,823	680,328
Paper for recycling	2,978	1,030
Other	66	64
Revenues from the sales of production from the subsidiary activities of the Group	3,044	1,094
Total	714,867	681,422

6. TRANSPORTATION AND SELLING COSTS

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

<i>(EUR'000)</i>	<i>Year Ended 31 December 2018</i>	<i>Year Ended 31 December 2017 (restated)*</i>
Transportation costs	48,646	49,580
Other	1,534	1,012
Total	50,180	50,592

7. RAW MATERIALS AND CONSUMABLES

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

<i>(EUR'000)</i>	<i>Year Ended 31 December 2018</i>	<i>Year Ended 31 December 2017 (restated)*</i>
Raw materials, direct and auxiliary materials (wood, pulp, chemicals, others)	385,053	341,826
Energy	62,534	55,152
Maintenance, felts and screens	41,145	39,738
Packages	23,601	23,994
Other (merchandise, other)	13,052	20,580
Total	525,385	481,290

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements
*Restatement is based on adoption of new IFRS standards IFRS 15 and IFRS 16

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8. OTHER SERVICES

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

<i>(EUR'000)</i>	<i>Year Ended 31 December 2018</i>	<i>Year Ended 31 December 2017 (restated)*</i>
Management and marketing services	9,368	9,559
Legal, advisory and auditing services	3,153	3,396
Insurance	3,106	3,344
IT and telecommunication services	2,922	3,020
Hire of employees and contractor costs	2,090	3,097
Safety and health at work	1,920	1,804
Maintenance of non-production facilities	1,647	2,056
Outsourcing	1,616	1,741
Advertising costs	1,082	1,003
Dane a poplatky	1,077	1,060
Taxes and fees	1,073	1,020
Personal services, travel expenses	875	877
Rent	753	961
Transport of third parties	281	829
Other	6,713	5,545
Total	37,676	39,312

Legal, advisory and auditing services contain fees paid to the auditor in the amount of EUR 221 thousand (2017: EUR 176 thousand).

9. PERSONAL EXPENSES

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

<i>(EUR'000)</i>	<i>Year Ended 31 December 2018</i>	<i>Year Ended 31 December 2017</i>
Wages	62,026	62,719
Social expenses and other personal expenses	21,337	19,934
Total	83,363	82,653

10. OTHER OPERATING INCOME AND EXPENSES

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

<i>(EUR'000)</i>	<i>Note</i>	<i>Year Ended 31 December 2018</i>	<i>Year Ended 31 December 2017 (restated)*</i>
Gain on revaluation of the variable consideration regarding the acquisition of subsidiaries	26	13,201	4,491
Profit / (loss) on sale of non-current assets		(553)	720
Other		889	(705)
Total		13,537	4,506

11. FINANCE INCOME AND FINANCE COSTS

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

<i>Finance income</i>	<i>Year Ended 31 December 2018</i>	<i>Year Ended 31 December 2017</i>
Interest income	25	51
Finance income total	25	51

<i>Finance costs</i>	<i>Note</i>	<i>Year Ended 31 December 2018</i>	<i>Year Ended 31 December 2017 (restated)*</i>
Interest expense		2 070	1 950
Interest expense related to the contingent consideration from the acquisition of Austrian subsidiaries (unwinding of the discount)	26	566	601
Provision for non-current financial assets		165	-
Total finance costs		2 801	2 551

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12. INCOME TAX

Group's income tax analysis for:

<i>(EUR'000)</i>	<i>Note</i>	<i>Year Ended 31 December 2018</i>	<i>Year Ended 31 December 2017 (Restated)*</i>
Current tax		20,908	20,239
Deferred tax	24	1,691	(1,365)
Income tax for the year		22,599	18,874

Income tax is calculated at 21% rate applied in the Slovak Republic and 25% applied in Austria for Austrian subsidiaries (2017: 21% in the Slovak Republic and 25% in Austria) of the taxable profit.

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

	<i>Year Ended 31 December 2018</i>		<i>Year Ended 31 December 2017 (Restated)*</i>	
	<i>(EUR'000)</i>	<i>%</i>	<i>(EUR'000)</i>	<i>%</i>
Profit before tax:	95,211		88,849	
Tax calculated at the local income tax rate	20,043	21	18,664	21
Difference in overseas tax rate	(437)	25	144	25
Permanent differences	4,451		194	
Tax relief	(1,593)		(156)	
Accruals and other differences	135		28	
Income tax and effective tax rate for the year	22,599	23.7	18,874	21.2

Compared to 2017, within the permanent differences for 2018, the Group reported a tax loss, which is not included in deferred tax assets of EUR 4,274 thousand.

In 2018, the Group applied income tax relief of EUR 1,593 thousand received under the investment aid provided in the total amount of EUR 48,836 thousand for the realization of an investment project related to the acquisition of a new paper machine and the related infrastructure (2017: EUR 156 thousand).

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13. INTANGIBLE ASSETS

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

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

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

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

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements
 *Restatement is based on adoption of new IFRS standards IFRS 15 and IFRS 16

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

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

The amortisation period for other intangible assets is four years.

The Group as at 31 December 2018 does not have intangible assets in acquisition and advances for intangible assets (as well as at 31 December 2017).

14. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

<i>Insured Object</i>	<i>Type of Insurance</i>	<i>Amount</i>	
		<i>2018</i>	<i>2017</i>
Passenger vehicles	Against theft, motor hull insurance	82	82
Property, plant and equipment	Against natural disasters	1,555,356	1,533,883
Plant and equipment	Against machine breakage	1,708,657	1,696,610
Inventories	Against natural disasters	85,720	90,741

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15. SUBSIDIARIES

Overview of the Group's subsidiaries as at 31 December 2018:

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

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

During the year ended 31 December 2018 and 31 December 2017, there were no other changes in the structure of subsidiaries and their ownership interests.

16. INVESTMENTS IN JOINT VENTURES

Overview of the Group's joint ventures as at 31 December 2018:

<i>Name of Associate</i>	<i>Place of Registration and Operation</i>	<i>Principal Activity</i>	<i>Ownership Share in %</i>	<i>Share in Voting Rights in %</i>	<i>The Carrying Value of The Investment</i>
RECOPAP, s. r. o.	Bratislavská 18, Zohor	Sorting and pressing of waste paper	50	50	268
KB Paper, s. r. o.	L. Kassáka 10, Nové Zámky	Sorting and pressing separated paper	50	50	87
East Paper, s. r. o.	Rastislavova 98, Košice	Waste management business	51	50	224

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

During the year ended 31 December 2018, there were no changes in the structure of investments in joint ventures and their ownership interests.

17. INVENTORIES

Overview of the Group's inventories as at 31 December 2018:

<i>(EUR'000)</i>	31 December 2018	31 December 2017
Raw materials, consumables and spare parts	40,718	30,431
Work in progress and semi-finished goods	29,533	22,674
Finished goods	26,483	25,506
Merchandise	501	403
Total	97,235	79,014

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

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

As at 31 December 2018, the Group recorded provisions in the amount of EUR 24,972 thousand (2017: EUR 23,380 thousand) for obsolete and slow-moving inventory based on a detailed analysis of individual items of inventories. The analysis was prepared by the stocktaking committee as at the year-end, which was based on an assessment of the net realisable value of inventories.

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

Movements in the provision for inventories:

<i>(EUR'000)</i>	31 December 2018	31 December 2017
As at 1 January	23,380	22,615
Charge	1,837	1,032
Used and released	(245)	(267)
Total	24,972	23,380

18. TRADE AND OTHER RECEIVABLES

Overview of the Group's receivables as at 31 December 2018 :

<i>(EUR'000)</i>	31 December 2018	31 December 2017
Receivables from the sale of finished goods and services	93,846	105,175
Tax receivables	12,370	11,615
Advance payments made	1,405	1,413
Other receivables	893	433
Total	108,514	118,636

The Group created a provision for estimated irrecoverable receivables from the sale of finished goods and other receivables in the amount of EUR 200 thousand (2017: EUR 167 thousand). The management believes that the carrying amount of trade and other receivables approximates their fair value.

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When comparing provisions as at 31 December 2017 under IAS 39 with provisions calculated under IFRS 9 as at 1 January 2018, the effect of the change from the loss incurred model on expected losses to the amount of the provision for receivables was insignificant.

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

<i>(EUR'000)</i>	31 December 2018	31 December 2017
Within maturity	106,851	117,864
Overdue	1,863	939
Total	108,714	118,803

The Group received no collateral or other forms of security in respect of its receivables. Risk of noncollection is covered by the insurance program of the Mondi Group and EXIM Bank. Information about insurance coverage claims contains Note 29, section Credit Risk.

The Group recorded no receivables under lien.

19. CASH AND CASH EQUIVALENTS

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

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

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

<i>(EUR'000)</i>	31 December 2018	31 December 2017
Cash and cash equivalents	1,678	735
Total	1,678	735

20. SHARE CAPITAL

Share capital was issued in the form of bearer shares. As at 31 December 2018 and 2017, the total number of issued shares was 4,635,034, and the face value per share was EUR 33.193919. All of the Company's shares were paid. None of the Company's shares are quoted on the stock exchange.

21. OTHER COMPONENTS OF EQUITY

As at 31 December 2018, other components of equity consisted of capital funds and other funds.

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

Other funds include funds created from actuarial gain on employee benefits after termination of employment, and post-employment health care in amount (EUR 19,605 thousand) and the difference arising from the acquisition of Austrian companies Mondi Neusiedler and Ybbstaller Zellstof in amount (EUR 8,146 thousand) and Other funds in amount (EUR 279 thousand). The total amount of other funds was (EUR 28,030 thousand).

22. EMPLOYEE BENEFIT PLANS

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

Pension benefits

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

Post-employment health care plans

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

Development in 2018

On December 13, 2018, a law amending the Social Security Act in Austria was issued in Austria. It is effective from 1 January 2020 and specifies that the plan assets and the plan liabilities that the Group has towards the Austrian Health Insurance Fund are to be taken over by the Republic of Austria. The law provides the Group with options to deal with this change. The Group is currently evaluating the appropriate alternative and the expected impact.

Retirement pension obligation

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

As at 31 December 2018, this plan applied to all Group employees. To this date, the plan was called not covered by financial resources, which means, without specifically designated assets to cover the obligation arising from it.

Other long-term employee benefits obligation

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

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The Group estimated a provision for pensions, post-employment health care, retirement payment and other long-term employee benefits in the year ended 31 December 2018 based on an actuarial valuation.

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

Investment risk (Asset volatility)

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

Interest risk

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

Longevity risk

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

Salary risk

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

Medical cost inflation risk

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

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

31 December 2018

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

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31 December 2017

(EUR'000)	Pension Benefits	Health Care Plans	Retirement Payment & Jubilee Benefit	Total
Less than a year	234	3,223	1,285	4,742
Between one and two years	236	6,807	358	7,401
Between two to five years	722	7,188	1,614	9,524
After five years	1,571	31,935	24,289	57,795
Total	2,763	49,153	27,546	79,462

The average duration of defined employee benefits liabilities is 15 years (2017: 15 years).

It is expected that the Group's share of contributions will increase as the plans' members age. The expected contributions to be paid to defined benefit pension plans and post-retirement medical plans during 2019 are EUR 8,124 thousand.

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

The employee benefits plan liabilities recognised in the balance sheet by categories:

(EUR'000)	31 December 2018	31 December 2017
Fair value of liabilities not covered by the funds	(33,366)	(35,380)
Fair value of liabilities covered by the funds	(36,840)	(19,844)
Total fair value of liabilities	(70,206)	(55,224)
Fair value of fund assets	16,017	15,685
Net value of employee benefits liabilities	(54,189)	(39,539)

Amounts recognised in the consolidated statement of financial position

Total employee benefits assets	-	-
Pension benefits	(6,666)	(6,116)
Post-employment health care	(20,823)	(4,159)
Entitlement to lump-sum payment upon retirement	(20,269)	(21,255)
Payable from other non-current employee benefits (jubilee benefits)	(6,431)	(8,009)
Total employee benefits liabilities	(54,189)	(39,539)

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

(EUR'000)	31 December 2018			31 December 2017		
	Austria	Slovakia	Total	Austria	Slovakia	Total
Pension benefits	6,666	-	6,666	6,116	-	6,116
Post-employment health care	20,823	-	20,823	4,159	-	4,159
Entitlement to lump-sum payment upon retirement	18,743	1,526	20,269	19,857	1,398	21,255
Payable from other non-current employee benefits (jubilee benefits)	4,494	1,937	6,431	6,214	1,795	8,009
Total	50,726	3,463	54,189	36,346	3,193	39,539

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

(EUR'000)	Plan Liabilities		Plan Assets		Net Liability	
	2018	2017	2018	2017	2018	2017
As at 1 January	(55,224)	(63,638)	15,685	15,081	(39,539)	(48,557)
Included in the statement of profit or loss and other comprehensive income						
Current service costs	(1,025)	(1,644)	-	-	(1,025)	(1,644)
Past service cost	-	(341)	-	-	-	(341)
Interests	(826)	(751)	235	228	(591)	(523)
Plan participants contributions	(3,351)	(3,131)	3,351	3,131	-	-
Paid benefits/cancellation of provisions	6,608	5,188	(3,210)	(3,108)	3,398	2,080
Included in the other comprehensive income						
Revaluation gains / (losses)	(16,388)	9,093	(44)	353	(16,432)	9,446
Total	(70,206)	(55,224)	16,017	15,685	(54,189)	(39,539)

The increase in the employee benefit plans obligations was caused by the change in the assumption of retirement age that was adjusted due to the decrease in average retirement age of employees in Austrian subsidiaries.

Key actuarial assumptions:

	31 December 2018	31 December 2017
Real discount rate p. a.	1.6%	1.6%
Inflation	1.9%	1.8%
Staff turnover p.a	1.0 % - 3.1%	1.0 % - 3.1%
Retirement age, men/women	60 – 63 / 58 - 60	62 – 63 / 58 - 60
Mortality and disability table	Pagler & Pagler	Pagler & Pagler
Future growth of wages	3.5%	3.5%
Future growth of pensions	2.0%	2.0%

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Sensitivity analysis for the year ended 31 December 2018:

	<i>Sensitivity 1</i>	<i>The Main Assumption</i>	<i>Sensitivity 2</i>
Discount rate	0.6%	1.6%	2.6%
Net liability of defined employee benefits	88,909	63,775	47,081
Inflation	0.9%	1.9%	2.9%
Net liability of defined employee benefits	59,936	63,775	68,052

Sensitivity analysis for the year ended 31 December 2017:

	<i>Sensitivity 1</i>	<i>The Main Assumption</i>	<i>Sensitivity 2</i>
Discount rate	0.6%	1.6%	2.6%
Net liability of defined employee benefits	66 779	47 215	34 706
Inflation	0.8%	1.8%	2.8%
Net liability of defined employee benefits	47 062	47 215	47 980

23. LOANS AND CREDITS

Group's current loans analysis:

<i>(EUR'000)</i>	<i>Note</i>	<i>31 December 2018</i>	<i>31 December 2017</i>
Other current loans from related parties	30	10,768	42,566
Total		10,768	42,566

The maturity of current loans is up to 12 months.

Movement of current loans from related parties:

<i>(EUR'000)</i>	<i>2018</i>	<i>2017</i>
As at 1 January	42,566	35,294
Interest accrued	873	1,054
Interest paid	(873)	(1,054)
Reclassification	(32,965)	-
Loan repayments	-	(555)
Proceeds from loans	1,167	7,827
As at 31 December	10,768	42,566

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Group's non-current loans analysis:

<i>(EUR'000)</i>	<i>Note</i>	<i>31 December 2018</i>	<i>31 December 2017</i>
Other non-current loans from related parties	30	33,041	-
Total		33,041	-

Movement of non-current loans from related parties:

<i>(EUR'000)</i>	<i>2018</i>	<i>2017</i>
As at 1 January	-	-
Interest accrued	76	-
Interest paid	(76)	-
Reclassification	32,965	-
Loan repayments	-	-
Proceeds from loans	76	-
As at 31 December	33,041	-

The Group did not draw any current or non-current bank loans in 2018. As at 31 December 2018 and 31 December 2017, the Group drew an operating loan within the Mondi Group granted by Mondi Finance plc., London.

24. DEFERRED TAX ASSET AND LIABILITY

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

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

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

Deferred tax assets ageing structure:

<i>V tis. €</i>	<i>31 December 2018</i>	<i>31 December 2017 (Restated)*</i>
- over 12 months	504	388
- due within 12 months	-	-
Total	504	388

Deferred tax liabilities and receivables ageing structure:

<i>V tis. €</i>	<i>31 December 2018</i>	<i>31 December 2017 (Restated)*</i>
- over 12 months	35,910	34,103
- due within 12 months	2,034	2,410
Total	37,944	36,513

25. PROVISIONS

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

<i>(EUR'000)</i>	<i>2018</i>	<i>2017</i>
As at 1 January	1,903	1,414
Additions	465	930
Use	(11)	(11)
Transfers and reclassifications	13	(430)
As at 31 December	2,370	1,903

Additions to non-current provision for the restoration of a landfill represents adjustment of provision creation related for the third stage of the landfill in the amount of EUR 124 thousand and reckoning of interest to adjust the provision to net present value as at 31 December 2018 in the amount of EUR 341 thousand.

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements
 *Restatement is based on adoption of new IFRS standards IFRS 15 and IFRS 16

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Environmental provision is made for the reclamation of landfills pursuant to the applicable environmental legislation in the Slovak Republic. The Group owns and operates the three stages of the landfill where it is legally obliged to reclaim them after their capacity has been reached. The Group creates the provision for the estimated future payments based on the expected date of closure of these landfills.

The provision balance for the first stage of the landfill is EUR 150 thousand, this has been closed and is being used to remedy the costs associated with its monitoring. The second stage of the landfill, which has a balance of EUR 1,033 thousand was closed according to the plan by the end of 2017, and restoration started in 2018. Provision was calculated using a discount rate of 8% and an average annual inflation of 4.4%. The third stage of the landfill, for which a provision of EUR 1,287 thousand is created, was planned to close by the end of 2025. The new estimated closing is planned in the end of 2021. It used a discount rate of 6.97% and an average annual inflation of 1.4%

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

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

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

<i>(EUR'000)</i>	<i>Environmental Provision</i>	<i>Restructuring Provision</i>	<i>Onerous Contracts Provision</i>	<i>Current Provisions Total</i>
As at 1 January 2017	-	21	1,151	1,172
Charge	-	-	1,624	1,624
Use	-	(21)	(1,151)	(1,172)
Transfers and reclassifications	430	-	-	430
As at 31 December 2017	430	-	1,624	2,054

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26. TRADE AND OTHER PAYABLES

<i>(EUR'000)</i>	31 December 2018	31 December 2017
Trade payables	118,997	111,019
Trade payables of an investment nature	17,279	7,188
Other payables	15,362	15,238
Total	151,638	133,445

Breakdown of trade payables by maturity:

<i>Item</i>	<i>Within Maturity Period</i>	<i>Retentive</i>	<i>Maturity Within Maturity Period</i>	<i>Over 365 Days Overdue</i>	<i>Within Maturity Period</i>
As at 31 December 2018					
Trade payables (including of an investment nature)	116,544	2,258	17,472	2	136,276
As at 31 December 2017					
Trade payables (including of an investment nature)	102,066	973	15,090	78	118,207

In 2018 retentive trade payables in amount of EUR 2,129 thousand were overdue up to one year after the maturity, in amount of EUR 129 thousand – overdue over one year after the maturity (in 2017 overdue up to one year in amount of EUR 959 thousand, overdue over one year in amount of EUR 14 thousand).

Other current payables comprise the following items:

<i>(EUR'000)</i>	31 December 2018	31 December 2017
Payables to employees, from social security insurance and other taxes	11,455	10,970
Accrued liabilities	1,349	1,671
Social fund	635	614
Other	1,923	1,983
Total	15,362	15,238

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

Other non-current liabilities comprise the following:

<i>(EUR'000)</i>	31 December 2018	31 December 2017
Payable associated with the acquisition of financial investments	22,495	35,130
Other	688	1,123
Total	23,183	36,253

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements
 *Restatement is based on adoption of new IFRS standards IFRS 15 and IFRS 16

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

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

<i>(EUR'000)</i>	2018	2017
As at 1 January	35,130	44 330
Repayments	-	(5,310)
Unwinding of interest associated with payable from acquisition of subsidiaries	566	601
Gain from revaluation of financial liability at FVTPL	(13,201)	(4,491)
As at 31 December	22,495	35,130

Sensitivity analysis for the year ended 31 December 2018:

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

Sensitivity analysis for the year ended 31 December 2017:

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

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27. LEASES

The Group has decided to adopt IFRS16 Leases early as at 1 January 2018 using the full retrospective method (see Notes 2 and 3 p).

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

Assets with a right to use

Overview of the Group's fixed assets with the right to use:

<i>(EUR'000)</i>	<i>Assets with a right to use</i>			<i>Write-offs</i>	
	<i>31 December 2018</i>	<i>31 December 2017 (Restated)*</i>	<i>1 January 2017 (Restated)*</i>	<i>31 December 2018</i>	<i>31 December 2017 (Restated)*</i>
Land and buildings	98	140	86	17	13
Machinery and equipment	2,359	4,359	6,808	2,636	2,450
Other tangible fixed assets	837	1,090	1,458	685	615
Celkom	3,294	5,589	8,352	3,338	3,078

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

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

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements
 *Restatement is based on adoption of new IFRS standards IFRS 15 and IFRS 16

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The analysis of movements of the Group's leased assets with the right to use for the year ended 31 December 2017:

<i>(EUR'000)</i>	<i>Land and Buildings</i>	<i>Machinery and Equipment</i>	<i>Other Tangible Fixed Assets</i>	<i>Total</i>
Cost				
As at 1 January 2017	162	34,289	2,589	37,040
Additions	67	-	248	315
As at 31 December 2017	229	34,289	2,837	37,355
Accumulated depreciation and impairment				
As at 1 January 2017	76	27,480	1,132	28,688
Annual depreciation and impairment	13	2,450	615	3,078
As at 31 December 2017	89	29,930	1,747	31,766
Carrying amount				
As at 1 January 2017	86	6,809	1,457	8,352
As at 31 December 2017	140	4,359	1,090	5,589

Additions to assets with the right to use amounted to EUR 1,430 thousand (in 2017: EUR 315 thousand).

Lease commitments

Analysis of maturity of undiscounted lease commitments:

<i>(EUR'000)</i>	<i>31 December 2018</i>	<i>31 December 2017 (Restated)*</i>	<i>1 January 2017 (Restated)*</i>
Less than a year	2,888	3,898	3,444
Between one and five years	899	3,369	6,639
After five years	88	92	109
Total	3,875	7,359	10,192

Lease commitments by residual maturity:

<i>(EUR'000)</i>	<i>31 December 2018</i>	<i>31 December 2017 (Restated)*</i>	<i>1 January 2017 (Restated)*</i>
Current liabilities	2,811	2,954	3,490
Non-current liabilities	926	3,598	6,314
Total	3,737	6,552	9,804

Total payments for the lease in 2018 amounted to EUR 4,189 thousand (in 2017: EUR 3,567 thousand).

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements
 *Restatement is based on adoption of new IFRS standards IFRS 15 and IFRS 16

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

(EUR '000)	31 December 2018	31 December 2017
Annual depreciation and impairment	3,338	3,078
Interest on lease commitments	175	256
Current rental costs	-	-
The cost of rentals assets with low value	79	63
Total	3,592	3,397

28. CAPITAL RISK MANAGEMENT

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

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

(EUR'000)	31 December 2018	31 December 2017 (Restated)*
Debt (i)	47,546	49,118
Cash and cash equivalent and Assets from Cash-pooling within Mondi Group	146,056	145,481
Net debt	(98,510)	(96,363)
Equity	562,799	536,133
Net debt to equity ratio	(0.18)	(0.18)

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

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

29. FINANCIAL RISK MANAGEMENT

From 1 January 2018, the Group has begun to report under IFRS 9 "Financial Instruments". In accordance with the transitional provisions of IFRS 9, the Standard Application does not require restatement of comparative period values.

By adoption of the new IFRS 9, financial assets previously classified as "financial assets held for sale" and "loans and receivables" have been transferred to financial assets in the "amortized cost" and "fair value through profit or loss" category ("FVTPL"). The transfer between categories of financial assets did not affect the valuation of these financial assets.

Significant new accounting policies are applied in the current accounting period and are described in the relevant sections of Note 3.

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Financial assets:

<i>(EUR'000)</i>	<i>Assets at FVTPL</i>	<i>Assets at Amortised Cost</i>
2018		
Receivables (including assets from cash-pooling)	-	253,128
Non-current financial assets	3,772	-
Receivables from financial derivatives	7	-
Cash and cash equivalents	-	1,678
Financial assets	3,779	254,806
2017		
Financial assets available for sale	3,937	-
Loans and receivables (including cash and cash equivalents)	-	264,602
Financial assets	3,937	264,602

Group's non-current financial assets movements analysis:

Non-current financial assets are non-current available-for-sale securities. There was no sale in 2018 and a provision for non-current financial assets was created.

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

<i>(EUR'000)</i>	<i>31 December 2018</i>	<i>31 December 2017</i>
Gains/(losses) recognized in the statement of other comprehensive income	(165)	72
Total	(165)	72

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Financial liabilities:

<i>(EUR'000)</i>	<i>Liabilities at FVTPL</i>	<i>Liabilities at Amortised Cost</i>
2018		
Non-current investment purchase commitment	22,495	-
Liabilities from financial derivatives	20	-
Trade and other payables	-	151,638
Loans and credits	-	43,809
Leasing commitments	-	3,737
Other financial liabilities	-	688
Financial liabilities	22,515	199,872
2017 (restated)*		
Non-current investment purchase commitment	35,130	-
Liabilities from financial derivatives	151	-
Trade and other payables	-	133,445
Loans and credits	-	42,566
Leasing commitments	-	6,552
Other financial liabilities	-	1,123
Financial liabilities	35,281	183,686

a) Financial Risk Factors

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

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

Market Risk

Market risk includes: interest rate risk and exchange rate risk

• **Interest Rate Risk**

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

Interest Rate Sensitivity

The Group drew only a current and non-current loans from related parties and was exposed to only immaterial interest rate risk during 2018. Therefore, no sensitivity analysis was performed. As at 31 December 2018, the Group has no open interest rate derivatives.

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• **Foreign Currency Risk**

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

As at 31 December 2018, the Group has opened 2 derivative transactions to hedge the currency risk associated with securing the investment contract no. 073CPX2017 with Noram Engineering and Constructors Ltd, Canada. All derivative transactions are arranged through Mondi Finance plc.

The Group also accounted for these foreign currency derivatives in the course of 2018:

Trade date	Maturity	Sale	Purchase	Forward rate
15 January 2018	23 January 2018	160,780.10 EUR	196,950 USD	1.224965
12 March 2018	19 March 2018	1 440,957.68 EUR	1 772,550 USD	1.2301194
7 December 2018	11 January 2019	345,263.13 EUR	393,900 USD	1.140869
28 November 2018	11 February 2019	346,707.10 EUR	393,900 USD	1.1361175

Note: Sale / Purchase by the Group

Credit Risk

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

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

The Group creates a write-off for impairment, which represents an estimate of Group losses resulting from trade and other receivables and investments. The Group creates a specific provision for receivables that assess individually and at the same time a general allowance for other receivables by applying ECL (expected credit losses), using lifetime expected losses.

Analysis of receivables:

<i>(EUR'000)</i>	<i>31 December 2018</i>	<i>31 December 2017</i>
Impaired receivables	203	632
Receivables due but not impaired	91,983	103,613
Receivables overdue but not impaired	1,660	930
<i>of which 30 days overdue</i>	1,618	691
<i>of which over 30 days overdue</i>	42	249
Total trade receivables (Note 18)	93,846	105,175

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements
 *Restatement is based on adoption of new IFRS standards IFRS 15 and IFRS 16

Mondi SCP, a. s.
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The Group secures trade receivables from external customers. The security table is illustrated by the following table:

<i>(EUR'000)</i>	<i>31 December 2018</i>	<i>31 December 2017</i>
Total external trade receivables	12,234	14,542
Insured receivables	(10,740)	(10,290)
Total unsecured external trade receivables	1,494	4,252

Analysis of bank accounts by rating:

<i>(EUR'000)</i>	<i>31 December 2018</i>	<i>31 December 2017</i>
Baa2 (Moody's)	1,678	735
Total	1,678	735

Liquidity Risk

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

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

<i>(EUR'000)</i>	<i>Weighted Average Effective Interest Rate</i>	<i>Up to 1 Month</i>	<i>1-3 Months</i>	<i>3 Months – 1 year</i>	<i>1-5 years</i>	<i>5 Years and More</i>	<i>Total</i>
2018							
Interest-free	-	111,960	3,910	38,881	23,946	-	178,697
Floating interest rate instruments	EONIA + 0.5%	-	-	46,164	-	-	46,164
Total		111,960	3,910	85,045	23,946	-	224,861
2017 (restated)*							
Interest-free	-	69,238	32,137	40,113	37,160	81	178,729
Floating interest rate instruments	EONIA + 0.5%	-	-	49,118	-	-	49,118
Total		69,238	32,137	89,231	37,160	81	227,847

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

b) Fair Value Estimation

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

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

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

The Fair Value Hierarchy

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

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

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

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

Fair value revaluation at 31 December 2018:

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

Mondi SCP, a. s.
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Fair value revaluation at 31 December 2017:

(EUR'000)	Level 1	Level 2	Level 3
Non-current financial assets measured at fair value through profit or loss	3,937	-	-
Financial assets	3,937	-	-
Financial liabilities measured at fair value through profit or loss	151	-	35,130
Financial assets	151	-	35,130

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

Changes for level 3 items are disclosed in Note 26.

30. RELATED PARTY TRANSACTIONS

a) Shareholders Structure

Direct shareholders of the Company include: Mondi SCP Holdings B. V., with its registered office at Maastricht, the Netherlands, which owns a 51% share in the Company's share capital, and ECO-INVESTMENT, a.s., with its registered office at Náměstí Republiky 1037/3, Nové Město, 110 00 Prague 1, Czech Republic, which owns a 49% share in the Company's share capital.

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

Mondi SCP, a. s.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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b) Business and Other Transactions

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

<i>(EUR'000)</i>	Year Ended 31 December 2018			
	Sales of Goods and Services	Purchase of Goods and Services	Receivables	Payables
Company				
Other related parties				
Operating activities				
Mondi Paper Sales GmbH	701,658	46,969	77,735	,5,097
Mondi Syktyvkar OJSC	11,646	-	3,403	-
SHP Harmanec a. s.	8,802	-	3,067	-
Mondi Swiecie	2,978	6,891	511	230
Papierholz Austria GmbH	2,387	10,517	449	1,184
Harmanec-Kuvert, spol., s.r.o.	2,374	-	176	-
SCP-PSS, s. r. o.	1,584	2,925	299	400
Mondi Finance plc	1,354	272	-	-
WOOD & PAPER a.s.	1,147	3,855	138	645
Mondi AG	385	4,815	54	24,460
Mondi Uncoated Fine & Kraft Paper GmbH	369	5,599	70	1,073
FK INVEST, a. s., Košice	124	1,063	123	37
Mondi Štětí, a. s.	47	-	33	-
Mondi Bags Štětí, a.s.	44	-	6	-
Mondi plc	40	12	-	-
Mondi Release Liner Austria GmbH	36	-	-	-
Recopap, s. r. o.	24	1,731	2	165
KB Paper, s. r. o.	10	138	1	5
East Paper, s. r. o.	4	244	-	42
Mondi Innoat GmbH	3	-	-	-
Mondi Corrugated Swiecie sp Zoo	-	4,195	-	663
ECO-INVEST SVK a. s.,	-	3,753	-	370
Mondi Packaging BZWP sp Zoo	-	2,097	-	385
Mondi Coating Štětí, a. s.	-	402	-	44
Mondi Bupak, s. r. o.	-	74	-	3
Mondi Bag Austria GmbH	-	26	-	3
Mondi Gronau GmbH	-	4	-	-
Mondi Stambolijsky	-	4	-	-
Total	735,016	95,586	87,067	34,805

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

Company	Year Ended 31 December 2018			
	Interests income	Dividends paid and Interests expense	Receivables	Payables
Group Shareholders				
Mondi SCP Holdings B.V, Maastricht	-	15,300	-	-
ECO-INVESTMENT, a. s., Prague	-	14,700	-	-
Other related parties				
Investing activities (Note 30 c)				
Mondi Finance Limited	8	-	144,378	-
Financing activities (Note 23)				
Mondi Finance Limited	-	949	-	43,810
Total	8	30,949	144,378	43,810

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements
 *Restatement is based on adoption of new IFRS standards IFRS 15 and IFRS 16

Mondi SCP, a. s.
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Business transactions with the Group's related parties, for previous reporting period:

<i>(EUR'000)</i>	<i>Year Ended 31 December 2017</i>			
	<i>Sales of Goods and Services</i>	<i>Purchase of Goods and Services</i>	<i>Receivables</i>	<i>Payables</i>
Company				
Other related parties				
Operating activities				
Mondi Paper Sales Wien	687,950	71,818	87,422	6,271
Mondi Syktyvkar	11,404	1,512	2,672	-
SHP Harmanec, a. s.	9,244	-	1,743	-
Harmanec-Kuvert, Spol., s.r.o.	2,760	-	128	-
WOOD & PAPER a.s.	2,681	2,459	291	289
SCP-PSS, s. r. o.	1,951	3,278	330	410
Papierholz Austria GmbH	1,804	9,434	62	1,571
Mondi Swiecie	1,030	9,227	172	1,141
Mondi Finance plc	624	-	-	-
Mondi Uncoated Fine & Kraft Paper GmbH	313	6,099	68	975
Mondi AG	252	4,815	52	37,142
FK INVEST, a. s., Košice	129	641	127	53
Mondi Štětí, a. s.	61	-	45	-
Mondi Coating Zeltweg GmbH	41	-	-	1
Mondi Bags Štětí a.s.	37	-	6	-
Mondi Release Liner Austria GmbH	33	-	-	-
Recopap, s. r. o.	20	1,643	-	222
KB Paper, s. r. o.	9	156	-	11
East Paper, s. r. o.	3	291	-	62
Mondi Limited	5	-	5	-
Mondi Plc	5	309	5	273
Mondi Frantschach GmbH	2	-	-	-
Mondi Corrugated Swiecie sp Zoo	-	3,916	-	660
ECO-INVEST SVK, a. s.	-	3,752	-	349
Mondi Packaging BZWP sp Zoo	-	2,512	-	401
Mondi Coating Štětí, a.s.	-	394	-	53
Mondi Bupak, s.r.o.	-	87	-	4
Dipeco AG	-	1	-	-
Total	720,358	122,344	93,128	49,888

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

<i>Copmany</i>	<i>Year Ended 31 December 2018</i>			
	<i>Interests income</i>	<i>Dividends paid and Interests expense</i>	<i>Receivables</i>	<i>Payables</i>
Group Shareholders				
Mondi SCP Holdings B.V, Maastricht	-	20,400	-	-
ECO-INVESTMENT, a. s., Prague	-	19,600	-	-
Other related parties				
Investing activities (Note 30 c)				
Mondi Finance Limited	2	-	144,746	-
Financing activities (Note 23)				
Mondi Finance Limited	-	1,054	-	42,566
Total	2	41,054	144,746	42,566

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements
 *Restatement is based on adoption of new IFRS standards IFRS 15 and IFRS 16

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

In 2018 Group capitalized costs in total amount of EUR 147 thousand from the company Mondi AG. These costs are connected with new paper machine PM19 within the ECO+ project. Group capitalized costs from the company Mondi Uncoated Fine & Craft GmbH also related to new paper machine PM19 within the ECO+ project in total amount of EUR 154 thousand.

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

Board of Directors makes decisions on related party transactions. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expenses have been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

c) Assets from Cash pooling within Mondi Group

As at 31 December 2018, the amount of EUR 144,378 thousand represents the cash-pooling balance with Mondi Finance Limited (31 December 2017: EUR 144,746 thousand).

31. REMUNERATIONS TO KEY MANAGEMENT PERSONNEL

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

<i>(EUR'000)</i>	<i>Year Ended 31 December 2018</i>	<i>Year Ended 31 December 2017</i>
Key Management Personnel (Top Management)	1,864	1,656
Total	1,864	1,656

32. COMMITMENTS AND CONTINGENCIES

a) Litigation and Potential Losses

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

b) Emissions Allowances

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

The Group has decided to record received emissions rights using the net liability method. As it does not record any liability for actual emissions. The Group has received adequate emissions allowances to cover its actual emissions. The Group had an obligation to cover emissions rights for actually produced emissions. This obligation was fulfilled by delivering emissions rights by 30 April 2018 for the 2017 reporting period. The Group received emissions rights in February 2018 for the 2018 reporting period.

c) Bank Guarantees

UniCredit Bank a.s. issued bank guarantees to Slovenská elektrizačná prenosová sústava, a.s. (SEPS, a.s.) in the total amount of EUR 74,168 and EUR 210,053 to secure liabilities resulting from the agreement made between Mondi SCP, a.s. and SEPS, a.s. In the event of default, the Group is obliged to pay UniCredit Bank.

Deutsche Bank has provided a bank guarantee in the sum of EUR 350,000 to Slowwood Ružomberok, a. s. to secure liabilities resulting from the agreement concluded with Metsähallitus Metsätalous OY and a bank guarantee in the sum of EUR 12,000,000 to secure liabilities resulting from the agreement concluded with Lesy Slovenskej republiky, š.p. In the event of default of debt, the Group is obliged to pay Deutsche Bank.

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

d) Capital expenditures

The value of open investment contracts at 31 December 2018 is EUR 147,339 thousand (2017: EUR 23,401 thousand).

33. ADJUSTMENT OF COMPARATIVE PERIOD DATA

This Note explains the impact of the application of IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases on the Group's Financial Statements.

The adjustment was made for each of the previous financial statement lines concerned as follows:

<i>Consolidated Statement of Financial Position (Extract) (EUR'000)</i>	<i>Year Ended 31 December 2017 (original)</i>	<i>IFRS16</i>	<i>IFRS15</i>	<i>IFRS9</i>	<i>Year Ended 31 December 2017 (Restated)*</i>
Non-current assets with the right of use	-	5,589	-	-	5,589
Deferred tax asset	387	1	-	-	388
Retained earnings	305,078	(759)	-	-	304,319
Non-current leasing commitments	-	2,954	-	-	2,954
Deferred tax liability	36,716	(203)	-	-	36,513
Current leasing commitments	-	3,598	-	-	3,598

<i>Consolidated Statement of Financial Position (Extract) (EUR'000)</i>	<i>Year ended 1 January 2017 (Original)</i>	<i>IFRS16</i>	<i>IFRS15</i>	<i>Year ended 1 January 2017 (Restated)*</i>
Non-current assets with the right of use	-	8,352	-	8,352
Deferred tax asset	1,979	2	-	1,981
Retained earnings	275,534	(1,146)	-	274,388
Non-current leasing commitments	-	6,314	-	6,314
Deferred tax liability	37,438	(304)	-	37,134
Current leasing commitments	-	3,490	-	3,490

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements

*Restatement is based on adoption of new IFRS standards IFRS 15 and IFRS 16

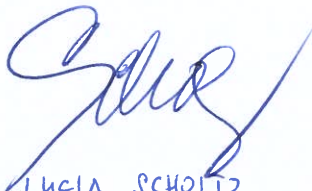
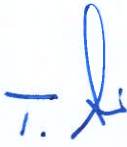
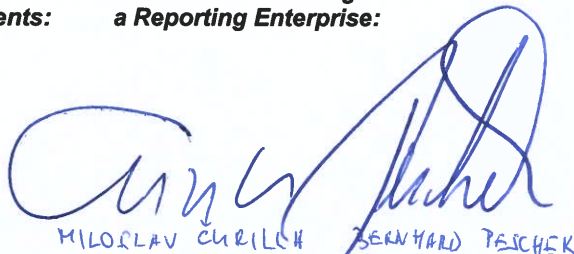
Mondi SCP, a. s.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2018

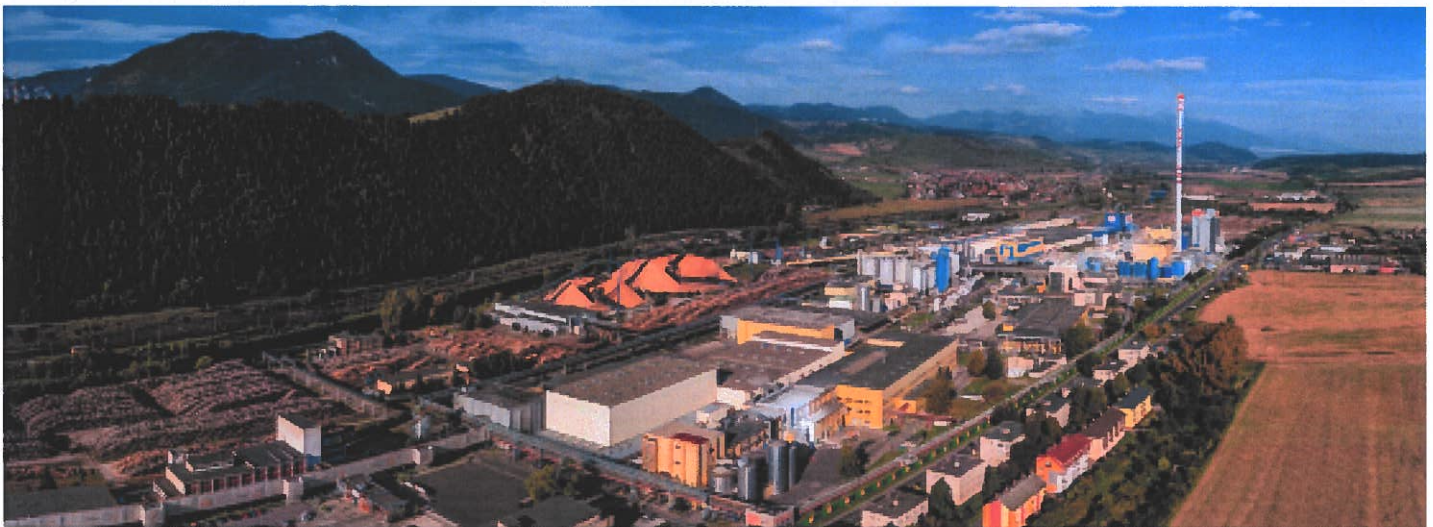
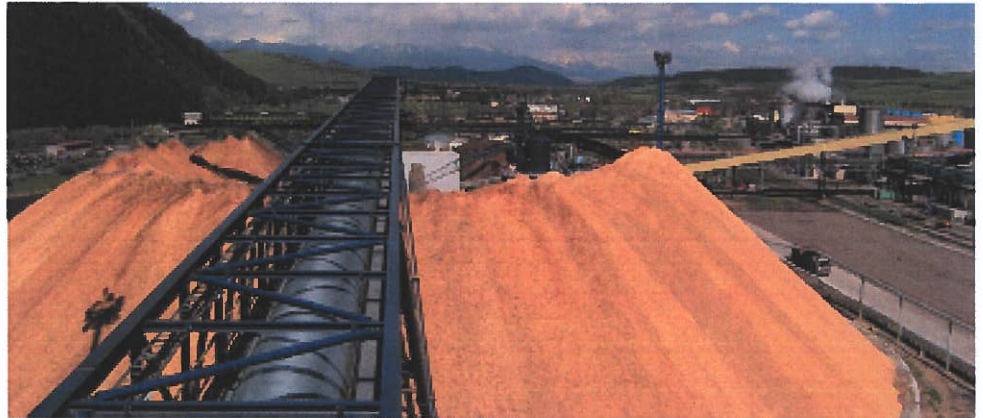
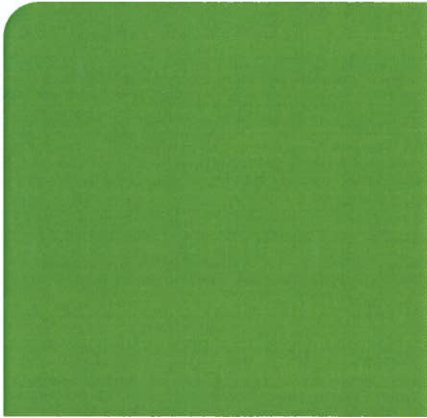
<i>Consolidated Statement of profit or loss and other comprehensive income (Extract)</i>	<i>Year Ended 31 December 2017 (original)</i>	<i>IFRS16</i>	<i>IFRS15</i>	<i>Year Ended 31 December 2017 (Restated)*</i>
Revenues	807,350	-	(17,638)	789,712
Transportation and selling costs	(68,230)	-	17,638	(50,592)
Raw material and consumables	(483,912)	2,622	-	(481,290)
Other services	(40,510)	1,198	-	(39,312)
Depreciation, amortisation expenses and impairment	(51,837)	(3,077)	-	(54,914)
Other operating expenses and income	4,499	7	-	4,506
Financial costs	(2,290)	(261)	-	(2,551)
Income tax expense	(18,772)	(102)	-	(18,874)

<i>Consolidated Statement of Cash Flows (Extract) (EUR'000)</i>	<i>Year Ended 31 December 2017 (original)</i>	<i>IFRS16</i>	<i>IFRS15</i>	<i>Year Ended 31 December 2017 (Restated)*</i>
Operating profit	90,626	750	-	91,376
Depreciation, amortisation and impairment of non-current assets	51,837	3,077	-	54,914
Loss / (profit) from the sale of tangible assets	(1,090)	(7)	-	(1,097)
Interest paid	(1,054)	(261)	-	(1,315)
Proceeds from sale of fixed assets	706	8	-	714
Payments of lease obligations	-	(3,567)	-	(3,567)

34. POST-BALANCE SHEET EVENTS

After 31 December 2018, there were no significant events that would affect the Group's assets and liabilities reported in these financial statements.

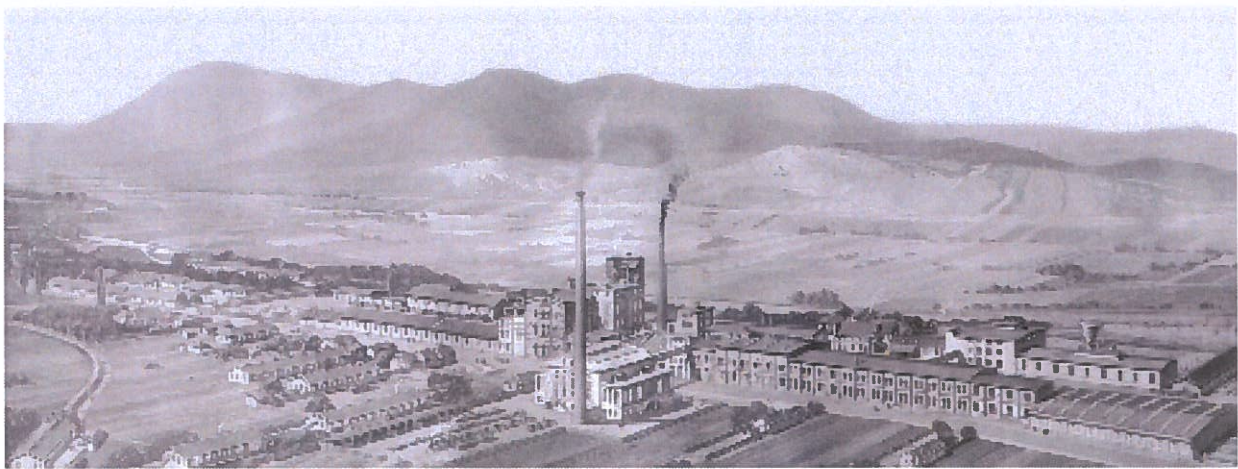
Prepared on:	Signature of the Person Responsible for Bookkeeping:	Signature of the Person Responsible for the Preparation of the Financial Statements:	Signature of a Member of the Statutory Body of the Reporting Enterprise or a Natural Person Acting as a Reporting Enterprise:
4 March 2019			
Approved on:	LUCIA SCHOLTZ	THOMAS SEIDL	MILOSLAV CURILCH BERNHARD TEICHNER
15.4.2019			



Mondi SCP, a.s.
ANNUAL REPORT 2018

IN TOUCH EVERY DAY
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More than **138 years** of paper making tradition in Ružomberok

We Are Mondi.
IN TOUCH EVERY DAY.

Mondi SCP

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

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



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



About us

Mondi SCP is the largest producer of pulp and paper in Slovakia. We are the biggest private employer in the region and, every day, we are adding value to our domestic renewable raw material – wood that comes from controlled sources as well as sustainably managed forests with FSC and PEFC certification.

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

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

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

Unfold (Y)our True Potencial.
Every Day.

Diversification of Production Portfolio

New Containerboard Machine

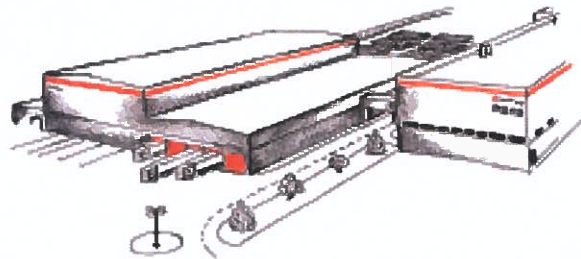
In order to adjust to current market trends and to diversify our product portfolio, we will add a new containerboard grade named Kraft Top White for corrugated packaging applications. This product will be a result of the ECO plus project, an overall investment of EUR 340 million including the currently running pulp mill expansion and the new paper machine (PM19).

This investment will enable us to further develop our containerboard portfolio and serve a growing market with innovative and sustainable containerboard solutions. Our access to integrated bleached hardwood pulp production and the integration into our existing mill structure will provide this machine a cost advantage difficult to replicate.

The new grade, Kraft Top White, combines the strength, printability and appearance benefits of a white virgin fibre top layer with the economic advantages of a recycled fibre bottom layer. Therefore, more than 150,000 tonnes of paper for recycling are expected to be processed. Kraft Top White will target the growing white top liner markets for applications such as shelf-ready packaging, point of sale displays, customised packaging, e-commerce, consumer durables and other specialised applications.



The new paper machine PM19 is expected to start-up towards the end of 2020. Its production capacity is 300,000 tonnes per annum.



OUR EMPLOYEES ARE KEY TO OUR SUCCESS

We currently employ more than 1,300 employees in Mondi SCP and several thousand are indirectly employed within the supply chain.

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

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

We also focus on constant education of our employees having offered around 20,000 hours of trainings in 2018. Areas where we invested the most were leadership trainings, professional trainings, as well as trainings required by law.

Employer of Choice - Cooperation with Schools

Mondi SCP has been working with multiple levels of education across the year 2018. On the university level, the space for research and development has been provided for diploma theses, as well as mill visits and internships for senior grades.

On secondary education level, Mondi SCP has entered the dual educational system and announced the plan to open a new field of study at local Polytechnical school – Chemist – Operator. In addition to existing Electrotechnician and Mechatronics fields of study, the close cooperation with this school has been enhanced for future generations of pulp and papermakers. Students also participated in their internship at Mondi SCP to gain practical experience under the supervision of experienced workers directly in the mill. Secondary schools and universities students had the opportunity to gain good working habits during the Summer Work for Students scheme, where 242 students were active, 86% of them in the production. A Mondifest youth event was held at the end of summer to near the potential and existing employees at the mill.

To close the circle of educational system, a cooperation with basic schools was launched in 2018. Twentyfive local schools received an invitation to a chemistry competition for students along with a chemistry box in a value of 13,000 EUR each to gain interest of students for the technical education via various chemistry experiments under supervision of their teachers.



Sustainable.
Every Day.

Mondi SCP and environment

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

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

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

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

Every year, we support also the environmental projects of our employees. Selected 30 projects were supported by EUR 500 each. Hence, they are also our employees who have the chance to be actively involved in the activities and to beautify their neighbourhood.

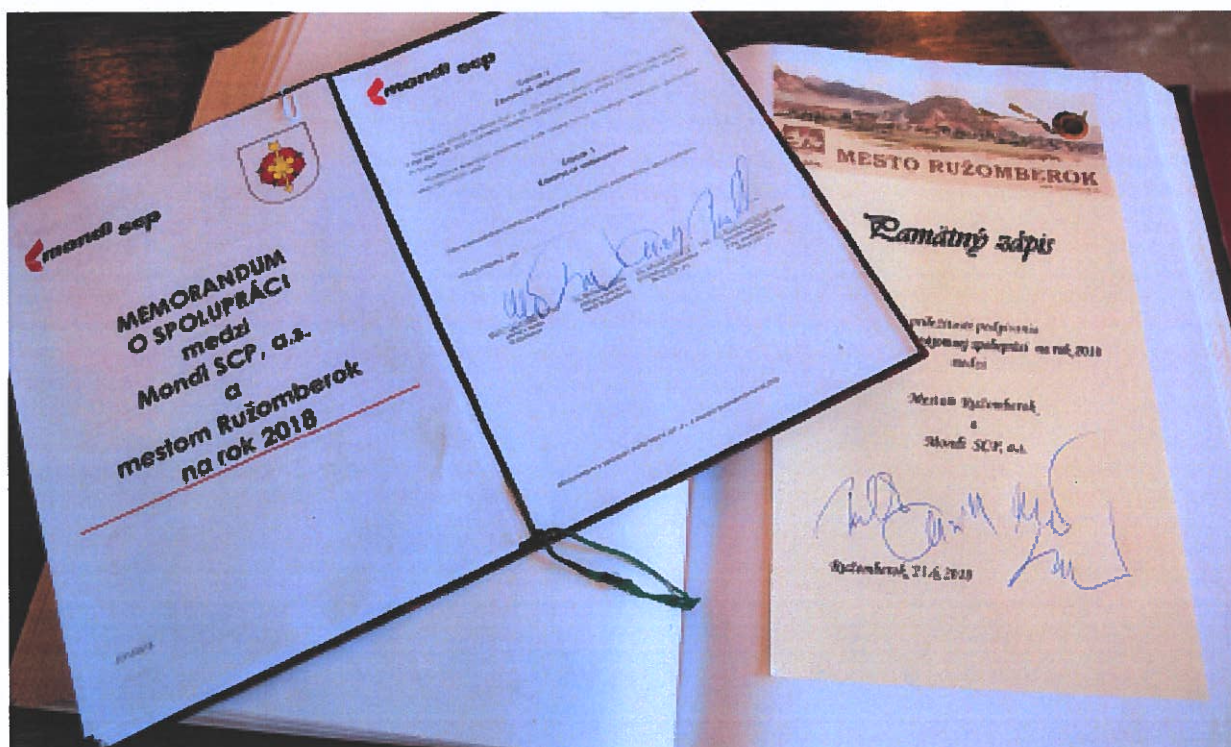
Mondi SCP organises also two environmental days each year for the representatives of the Town and communities with which we communicate openly about various environmental topics. And for our employees, we organise ecological days through which we try to improve the quality of the environment of the region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



Mondi SCP and the Region

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

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



Performance driven.
Every Day.

Mondi SCP group key indicators

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

Group operating profit for the year 2018 was 7% above the prior year level. The development of sales prices was positive driven by a good demand situation in Mondi SCP but also by the cost pressure coming from increasing raw material costs and fixed costs.

PULP AND PAPER PRODUCTION DEVELOPMENT		
in thousands of tons	2018	2017
Pulp	578	599
Paper	905	930

Pulp production decreased to 578 thousand tons in 2018. Main reason for the decline was that in 2018 also softwood pulp was produced, which has a lower production rates than the hardwood pulp production.

In 2018 the production of paper reached 905 thousand tons which is a 3% decrease compared to 2017. The main reasons for the drop was a fire on PM18 in July and some other smaller operational issues.

In 2018 Mondi SCP received the approval for the investment into a new Containerboard machine - project ECO plus an overall EUR 340 million investment. Permits were received and the ground breaking ceremony was held – the project is well on track targeting the start up of the new paper machine end 2020.

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

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



Mondi has a clear vision ahead. We want to contribute to a better world, be an employer of choice and we want to be the global industry benchmark for packaging and paper.

Main risk identified by Mondi SCP is the declining market for office paper, cost increases in major input costs like wood and energies and general cost pressure driven by the overheated economy. Solving the aging of the existing workforce together with need for new employees in connection with other investments is also difficult in situation with lack of a limited skilled workforce in Slovakia.

Prognosis for the future development are however rather positive. Mondi SCP is investing in a new 300,000 tons containerboard machine in Ruzomberok, which will diversify production portfolio and represent significant step into growing packaging paper markets.

BASIC FINANCIAL INDICATORS (IFRS)	Mondi SCP		Mondi SCP Group	
	2018	2017*	2018	2017*
in thousands of EUR				
Earnings from sales and services and other earnings	532,600	499,080	829,767	789,712
Net profit	87,743	72,661	72,612	69,975
Total assets	779,228	721,109	885,002	843,233
Non-current assets	511,706	477,297	533,161	500,027
Current assets	267,522	243,812	351,841	343,206
Total liabilities	779,228	721,109	885,002	843,233
Total payables	176,620	176,289	322,203	307,100
Equity	602,608	544,820	562,799	536,133
Average number of employees	1,129	1,042	1,883	1,791

* Restatement of the comparable financial statements due to adoption of new IFRS standards 15,16

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

The increase in current assets is mainly coming from an increase in the wood inventories.

Mondi SCP Group duly fulfilled its obligations towards all its creditors in 2018.

The growth of the shareholder's equity is attributable to the net profit of EUR 73 million while the dividend payment for the year 2017 amounted to EUR 30 million. As of December 31, 2018, the share of equity in the total assets reached the level of 64% underscoring the stability and financial strength of Mondi SCP Group.

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

The management of the company will decide on 2018 profit distribution at the Annual General Meeting.

Subsidiaries of Mondi SCP

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

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

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

As well in 2018, the subsidiaries of Mondi SCP Group were closely connected with their parent company since the substantial part of their production and performance was realised directly in the parent company. Mondi SCP Group thus used the competitive advantage of this connection to improve the results of the whole Group.

Obaly SOLO, s.r.o.

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

SLOWWOOD Ružomberok, a.s.

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

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

In 2018 SLOWWOOD Ružomberok, a.s. purchased 2,2 million m³ of wood which is higher volume compared to 2017 year. Almost the entire volume of the purchased wood was delivered to Mondi SCP, a.s. while the largest share was hardwood pulpwood.

Mondi NEUSIEDLER GmbH

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

Ybbstaler Zellstoff GmbH

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

Slovpaper Recycling s.r.o.

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

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

After December 31, 2018, to the date of authorization of the annual report no significant events occurred which would affect the group's assets and liabilities recognised in these financial statements.

In Ružomberok, March 26, 2019

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

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