Mondi plc

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25 February 2021

Full year results for the year ended 31 December 2020

Highlights

- **Robust financial performance with excellent cash generation**
    - Underlying EBITDA of €1,353 million, with margin of 20.3%
    - Cash generated from operations of €1,485 million
    - Strong balance sheet at 1.3x net debt to underlying EBITDA
    - Recommended full year dividend of 60.0 euro cents per share, up 5%
- **Decisive and effective COVID-19 response**
- **Investing through-the-cycle with capital investment projects delivering growth, enhanced cost competitiveness and sustainability benefits**
- **Delivered against our 2020 Growing Responsibly sustainability commitments and set new ones, the Mondi Action Plan 2030 (MAP2030)**
- **Leveraging long-term trends of sustainability, e-commerce and enhancing our customers' brand value**
- **Well-positioned with cost-advantaged asset base, strong balance sheet and unique portfolio of sustainable solutions**

Financial summary[1]

€ million, except for percentages and per share measures	Year ended 31 December 2020	Year ended 31 December 2019	Change %	Six months ended 31 December 2020	Six months ended 31 December 2019	Change %
Group revenue	**6,663**	7,268	(8)	**3,211**	3,497	(8)
Underlying EBITDA[1]	**1,353**	1,658	(18)	**615**	764	(20)
Underlying operating profit[1]	**925**	1,223	(24)	**401**	544	(26)
Operating profit	**868**	1,221	(29)	**350**	542	(35)
Profit before tax	**770**	1,103	(30)	**304**	471	(35)
Basic underlying earnings per share[1] (euro cents)	**129.3**	171.1	(24)			
Basic earnings per share (euro cents)	**120.0**	167.6	(28)			
Total dividend per share (euro cents)[2]	**60.0**	57.0	5			
Cash generated from operations	**1,485**	1,635	(9)			
Net debt[1]	**1,791**	2,207				
Underlying EBITDA margin[1]	**20.3%**	22.8%				
Return on capital employed (ROCE)[1]	**15.2%**	19.8%				

Notes:

1 The Group presents certain measures of financial performance, position or cash flows that are not defined or specified according to International Financial Reporting Standards (IFRS). These measures, referred to as Alternative Performance Measures (APMs), are defined at the end of this document and where relevant, reconciled to IFRS measures in the notes to the condensed consolidated financial statements.

2 31 December 2019 column includes a dividend of 29.75 euro cents per share in relation to 2019 financial year paid as an interim 2020 dividend.

Andrew King, Mondi Group Chief Executive Officer, said:

"Mondi delivered a robust performance in 2020, with underlying EBITDA of €1,353 million, ROCE of 15.2% and continued excellent cash generation. This is testament to the strength of our business model in the face of significantly lower average selling prices across our key pulp and paper grades, and the challenges brought by COVID-19. We finished the year positively, with strong demand in the packaging businesses supported by the long-term growth drivers of sustainability and e-commerce.

I am extremely proud of how our teams rose to the challenges of 2020 and my sincere thanks go to my colleagues for their endurance, enterprise and ongoing commitment. We took decisive action in the early stages of the pandemic, moving quickly to safeguard our people, support our communities and customers, and protect the profitability, liquidity and cash flow of the business while seeking to ensure we remain well placed to deliver value accretive growth into the future.

We continue to make good progress on our sustainability journey. We delivered strongly against our 2020 Growing Responsibly commitments and have now launched Mondi Action Plan 2030, our sustainability roadmap for the next 10 years.

Sustainable packaging continues to be a long-term priority for our customers and wider society. As a leading producer of both paper and flexible plastic-based packaging, we continue to support our customers' environmental goals with packaging that is sustainable by design adhering to our principle of paper where possible, plastic when useful.

Our capital investment programme to generate value accretive growth, enhance our cost competitiveness and deliver sustainability benefits is progressing well. In January 2021 we commissioned our investment in Štětí (Czech Republic), dedicated to producing speciality kraft paper for e-commerce and retail shopping bags. We also started up a new 300,000 tonne kraft top white machine at Ružomberok (Slovakia) and we are moving forward with the previously announced major capital investment projects at Syktyvkar (Russia) and Richards Bay (South Africa). Expansionary projects are also underway at a number of our converting packaging operations, enhancing our production capabilities and product offering to further support our customers. We continue to evaluate further opportunities for value accretive growth and remain excited by the possibilities offered by our platform.

Looking ahead, although the near-term macroeconomic outlook continues to be uncertain, we remain confident in the structural growth drivers in the packaging sectors in which we operate and the strength of our paper position. We are seeing strong order books supporting price increases in most packaging and pulp grades, and are encouraged by the improving uncoated fine paper demand. We are planning longer project-related maintenance shuts and are seeing input cost pressures and currency headwinds, although the benefits from our capital expenditure programme will continue to support our performance.

Underpinned by the Group's integrated cost-advantaged asset base, culture of continuous improvement, portfolio of sustainable packaging solutions and the strategic flexibility offered by our strong cash generation and financial position, the Group remains well-placed to deliver sustainably into the future."

Protecting our people, serving our customers and supporting our communities and partners

Our priority in 2020 was the safety and health of the Group's employees and our communities. We took decisive action in the early stages of the pandemic, moving quickly to safeguard our people and support our communities, customers and partners. At the same time, we continued to focus on developing our business and remain well-placed for the future.

All of our sites have implemented personal protection measures and intensified social distancing and hygiene protocols that meet or exceed local and international guidelines. We remain active in our efforts to contain any potential spread of the virus in our operations and communities.

Our facilities have been in operation throughout the year, with the exception of limited closures or short production interruptions at a small number of our plants.

This has allowed us to provide essential materials and products to our customers, many of whom produce food and personal and home care products, as well as contributing to local services such as energy and waste water treatment at our larger operations. Being able to provide security of supply, respond rapidly to significant changes in demand, and where necessary provide financial support, has strengthened our relationship with our customers. Many are looking to simplify and shorten their supply chains, engaging with fewer, more reliable partners like Mondi.

We escalated our programme to support local communities, going beyond our existing initiatives. We made meaningful financial and in-kind donations to support the pandemic response and provided food, fresh water and other supplies to people in need in the communities where we operate.

Growing Responsibly and setting our action plan for the next 10 years

Sustainability lies at the centre of our purpose, culture and strategy to drive value accretive growth. We believe business has a leading role to play in helping to deliver the UN Sustainable Development Goals. Being part of the solution to global sustainability challenges will secure the long-term success of our business and benefit all our stakeholders.

Our Growing Responsibly model to 2020 was the framework through which we responded to sustainability challenges and opportunities and addressed societal issues over the past five years. It has formed part of our business strategy and has enabled us to clearly demonstrate, monitor, improve and communicate our sustainability performance across the value chain. We have a solid foundation of setting targets and reporting on our performance since 2004.

This year we are launching the Mondi Action Plan 2030 (MAP2030) as our new sustainability framework. It builds on the strong progress we made through our Growing Responsibly model and sets out the actions we need to take over the next decade to achieve our ambitious sustainability goals. MAP2030 is aligned to the UN Sustainable Development goals and it connects our 26,000 colleagues with a shared sense of purpose to contribute to a better world by making innovative, sustainable packaging and paper solutions. We believe that by focusing our efforts on circular-driven solutions, created by empowered people, taking action on climate, we can have the most impact. Each of these action areas have three high-level commitments, which are underpinned by more detailed targets, with the overall plan grounded on a foundation of responsible business practices spanning business ethics and governance, human rights, communities, procurement and environmental impact.

We operate in diverse and complex geographies and as a business that is fully integrated throughout the supply chain we are excited by the potential to make a real difference, with these 2030 commitments touching every part of our business. Delivering on these focus areas, working with our colleagues, customers, suppliers and partners to make a positive contribution to a better world, will be a top priority for Mondi.

We are particularly proud to have met our original climate change commitment to 2020 ahead of schedule. We have reduced our total greenhouse gas (GHG) emissions (per tonne of saleable production) to 0.64, a 24% reduction against the 2014 baseline, building on our long-standing focus of becoming less carbon intensive. Our science-based GHG reduction targets were introduced in 2019. Our longstanding efforts to reduce our GHG emissions mean that we have delivered a reduction of 45% since 2004. The contribution of biomass-based renewable energy to the total fuel consumption of our mills has increased from 59% in 2014 to 67% in 2020. A number of major capital investments made us more energy efficient and less reliant on fossil fuels. Since 2015, we have invested around €500 million in energy-related projects.

We are proud to have been recognised in 2020 by CDP as one of only 10 companies worldwide with a 'Triple A' score on its environmental performance related to climate, forests and water security. In the next decade, we plan to build on our climate resilience, by reducing GHG emissions in line with our science-based targets, maintaining zero deforestation in our wood supply, continuing to source wood sustainably from healthy and resilient forests and safeguarding biodiversity and water resources. Our science-based GHG reduction targets approved by the Science Based Targets initiative in 2019 cover more than 95% of Mondi's total Scope 1 and 2 emissions, including our energy sales. We have committed to reduce Scope 1 and 2 emissions 34% by 2025, and 72% by 2050 (per tonne of saleable production) against a 2014 baseline. We are now exploring a science-based GHG reduction target for our Scope 3 emissions, which takes into account the GHG emissions in our value chain.

Ensuring the safety and health of our people always comes first. Our employees and contractors work in potentially hazardous environments. We embed clearly defined methodologies, procedures and robust controls to ensure they, and other people who have reason to be on Mondi sites, stay safe. Above all we look to develop a 24-hour safety mindset across the Group. With deepest regret, we report two fatalities in 2020 in our operations. In January 2020, a contractor died during demolition activities at our Syktyvkar mill. In June 2020, a contractor died in an incident during cleaning activities of a power boiler at our Richards Bay mill. Thorough investigations are conducted after all incidents and action plans implemented to address root causes and prevent repeat incidents. In 2020, we had 217 recordable cases (2019: 239 restated for acquisitions), which equates to a Total Recordable Case Rate (TRCR) of 0.58 (2019: 0.63 restated for acquisitions) representing a 7% reduction compared to 2019 and a 23% improvement against our 2015 baseline, exceeding our 2020 commitment.

We want to develop and inspire a diverse and inclusive workforce that is ready for change and embraces new ways of working. We aspire to be an employer of choice by engaging and developing our people. Our response to COVID-19 has focused on keeping our people empowered, informed, engaged and working effectively while supporting their physical and emotional well-being. During the year, we initiated several programmes across our operations to attract, retain, and develop our people and we also made progress on our diversity and inclusion journey introducing 'conscious inclusion' training designed to address unconscious bias and identify practical actions to create an inclusive work environment. As a member of the UN Women's Empowerment Principles we are part of the growing community of businesses publicly demonstrating their commitment to gender equality in the workplace.

The social, economic and environmental health of local communities is important to our long-term success. We continue to support local livelihoods and businesses and aim to build strong proactive and trusting relationships with our communities to identify opportunities and mitigate risks. During the year we escalated our community support programmes, going beyond our existing initiatives to provide targeted COVID-19 related support.

We recognise the importance of working with others across the value chain and engage with suppliers and customers in initiatives such as Cepi's 4evergreen alliance to increase the circularity and sustainability of fibre-based packaging solutions, aiming to achieve a 90% recycling rate by 2030.

For more details on MAP2030 please visit: www.mondigroup.com/MAP2030.

Innovative and sustainable packaging and paper solutions

Innovative, sustainable packaging solutions continue to be demanded by our customers and wider society. Our broad range of paper-based and flexible plastic-packaging makes us uniquely positioned to help forward-thinking brands find the most sustainable solutions, using 'paper where possible, plastic when useful'. During the year we focused our efforts on developing paper-based packaging solutions to replace unnecessary plastic packaging, enabling our customers to achieve their own sustainability targets and reduce their environmental footprint. Paper-based packaging is renewable and easily recyclable which means it is an optimal solution for many of today's applications. When certain functionality barriers are required, plastic-based flexible packaging can deliver many benefits when manufactured, used and disposed of appropriately, from reducing food waste to extending shelf-life and improving resource efficiency.

EcoSolutions is our customer-centric approach for partnering with customers to achieve their sustainability goals. The market response has been overwhelmingly positive. Our customers are eager to improve the sustainability of their packaging and seek guidance from us on reducing raw material use, designing for recycling and understanding the potential trade-offs. We collaborate along the value chain to eliminate unsustainable packaging, leading the transition to a circular economy.

Over recent years we have increased our focus on innovating with our customers. We are proud to be recognised for our innovation and ability to provide a wide range of sustainable solutions. In the past year we have celebrated a number of innovation awards across our business, including eight WorldStar Awards - two for our Flexible Packaging team and six for Corrugated Packaging, of which two were in partnership with a corrugated solutions customer.

Group performance review

Mondi delivered a robust performance in a challenging trading environment, having started the year with lower pricing coupled with the difficulties brought by the COVID-19 pandemic and related lockdown measures in the markets where we operate, leading to underlying EBITDA of €1,353 million, down 18% on the prior year. The packaging businesses delivered strongly and we are pleased with their strengthened order books in the second half and recent price increases being implemented in most paper grades.

Group revenue was down 8%, with strong volume growth in Corrugated Packaging and Flexible Packaging, underpinned by our strong customer proposition, being offset by a combination of lower average selling prices and negative currency effects. Uncoated fine paper volumes were impacted by lower demand for professional and office printing as a result of the widespread lockdown measures.

We saw a positive contribution from our previously completed capital investment projects. Input costs were stable in the second half of the year when compared to the first half and generally lower year-on-year, with lower average wood, paper for recycling, chemical, energy and resin costs. We are currently seeing input cost pressures in certain categories, notably paper for recycling, resins, energy and transport.

Cash fixed costs were marginally up in local currency with inflationary cost pressures largely offset by our strong cost mitigation programmes. The forestry fair value gain recognised versus the prior year was €44 million lower.

To protect our employees and suppliers and minimise execution risk, we postponed most planned maintenance shuts to the second half of the year. The annual impact of planned maintenance shuts on underlying EBITDA in 2020 was around €100 million (2019: €150 million). Based on prevailing market prices, we estimate that the impact of planned maintenance shuts on underlying EBITDA in 2021 will be around €140 million, of which the first half year effect is estimated at around €45 million (2020: €10 million). This includes an extended project related shut at Richards Bay in the second half as part of the ongoing major modernisation programme at the mill.

Currency movements had a net negative impact on underlying EBITDA versus the prior year. The benefit of a weaker South African rand to our South African export oriented business was more than offset by translation losses from a weaker Russian rouble and Turkish lira relative to the euro coupled with the negative impact on certain of our export oriented businesses of a weaker US dollar, notably in the second half of the year.

Depreciation and amortisation charges were marginally lower during the year as the effects of our capital investment programme were more than offset by currency effects. After taking the effect of special items into account, operating profit was €868 million, down 29% on 2019.

Basic underlying earnings of 129.3 euro cents per share were down 24% compared to 2019. Basic earnings of 120.0 euro cents per share were down 28% compared to 2019.

The Group remains strongly cash generative with cash generated from operations of €1,485 million (2019: €1,635 million). The impact of lower underlying EBITDA generation was mitigated by strong working capital management giving a net working capital inflow of €125 million. Net debt at 31 December 2020 was down by more than €400 million in the year to €1,791 million (2019: €2,207 million), 1.3 times (2019: 1.3 times) net debt to underlying EBITDA. This is after capital investments of €630 million or around 160% of depreciation, as we pursue our through-the-cycle investment programme to continue delivering value accretive growth.

Given our strong financial position and confidence in the future of the business, the Board has recommended a final 2020 dividend of 41.0 euro cents per share. The final dividend, together with the interim dividend, amount to a total dividend for the year of 60.0 euro cents per share, an increase of 5% on the 2019 total dividend.

Corrugated Packaging

€ million	Year ended 31 December 2020	Year ended 31 December 2019	Change %	Six months ended 31 December 2020	Six months ended 31 December 2019	Change %
Segment revenue	**1,879**	2,014	(7)	**910**	969	(6)
Underlying EBITDA	**518**	583	(11)	**251**	286	(12)
Underlying EBITDA margin	**27.6%**	28.9%		**27.6%**	29.5%	
Underlying operating profit	**397**	459	(14)	**190**	224	(15)
Capital expenditure cash payments	**249**	257		**125**	164	
Operating segment net assets	**2,087**	2,166				
ROCE	**22.5%**	24.9%				

Corrugated Packaging's margins and returns remained strong. Underlying EBITDA of €518 million was down 11% on the prior year. Strong volume growth, lower input costs and shorter planned maintenance shuts were more than offset by lower selling prices. The benefits of an integrated value chain and ongoing continuous improvement initiatives continue to contribute to our strong performance.

Containerboard sales volumes were up on the prior year supported by our broad product portfolio and global distribution network. Demand strengthened throughout the second half in Europe and internationally, with strong import demand from China. Pleasingly, Corrugated Solutions achieved overall volume growth of 7% year-on-year, with a particularly strong second half performance across our markets, benefiting from ongoing investment in the business and testament to our innovative product portfolio and strong customer service offering. We saw significant volume growth in e-commerce and fast moving consumer goods applications throughout the year, while industrial end-uses came under pressure, most notably in the second quarter, with some recovery in the second half.

Selling prices were lower than the prior year. Average benchmark European selling prices for unbleached kraftliner and recycled containerboard were 11% and 13% lower respectively, while semi-chemical fluting and white top kraftliner prices were down 6% to 8%. On the back of strong demand and tight market conditions globally, we implemented price increases during the fourth quarter and early 2021 across our unbleached kraftliner and recycled containerboard grades. We also implemented price increases in semi-chemical fluting and white top kraftliner grades in early 2021.

Input costs were lower year-on-year, with lower wood, paper for recycling, energy and chemical costs. Average benchmark European paper for recycling costs were 14% lower than the prior year. However, prices increased from the low levels seen in the first quarter over the course of the year and into early 2021, and are today significantly higher than the average for 2020. We expect to consume approximately 1.5 million tonnes of paper for recycling in 2021. Cash fixed costs were marginally up in local currency terms with higher personnel costs largely offset by our cost control initiatives.

Planned maintenance shuts were successfully completed during the second half of the year at all Corrugated Packaging mills. In 2021, our Syktyvkar and Kuopio (Finland) shuts are planned for the first half of the year while the remaining shuts are largely scheduled for the second half.

In January 2021, the Group agreed to acquire 90.38% of the outstanding shares in Olmuksan International Paper Ambalaj Sanayi ve Ticaret A.Ş (“Olmuksan”) from International Paper for a total consideration of €66 million, which implies an enterprise value on a 100% basis of €88 million. As a leading and well-established corrugated packaging player in Turkey, Olmuksan's network of five plants provides an exciting opportunity to significantly strengthen our position in the fast-growing Turkish corrugated market and expand our offering to existing and new customers in the region. The transaction remains subject to competition clearance and other closing conditions and is expected to complete in the first half of 2021.

Flexible Packaging

€ million	Year ended 31 December 2020	Year ended 31 December 2019	Change %	Six months ended 31 December 2020	Six months ended 31 December 2019	Change %
Segment revenue	**2,667**	2,708	(2)	**1,290**	1,314	(2)
Underlying EBITDA	**519**	543	(4)	**239**	239	—
Underlying EBITDA margin	**19.5%**	20.1%		**18.5%**	18.2%	
Underlying operating profit	**362**	389	(7)	**160**	160	—
Special items	**(8)**	(4)		**(2)**	(4)	
Capital expenditure cash payments	**162**	248		**76**	117	
Operating segment net assets	**2,475**	2,603				
ROCE	**14.5%**	15.7%				

Flexible Packaging delivered a strong performance with underlying EBITDA of €519 million, down 4% on the prior year. Strong volume growth, the benefits of our integrated value chain, lower input costs and cost control initiatives were offset by lower average selling prices.

Kraft paper and paper bag demand remained resilient in Europe and North America during the period, finishing the year strongly across our markets. Overall, we saw good demand in building materials, consumer and agricultural end-uses and weaker demand in industrial applications. Kraft paper sales volumes were up on the prior year with an improved product mix, as we continue to develop our speciality offerings, benefiting from our product development initiatives and the increasing demand from customers for more sustainable packaging. Paper bags sales volumes were up 5% on the prior year, reflecting a strong performance across the business. We continue to support our customers' demands for paper-based packaging alternatives to replace plastics for consumer, e-commerce and other applications with our portfolio of kraft paper and paper bags solutions.

Pricing across the paper value chain was down compared to the prior year, as a result of reductions that took place as we entered 2020 and some price erosion during the year. Price increases are currently being implemented for sack kraft paper grades supported by strong order books.

Consumer flexibles delivered strongly during the year, benefiting from increased demand in fast moving consumer goods applications driven by at home consumption, an improved product mix and pricing discipline. We continued to drive innovation to support our customers' transition to more sustainable packaging, and to partner along the value chain to create products fit for a circular economy, incorporating paper where possible, developing recyclable flexible plastic-based packaging solutions and increasing recycled content in our packaging.

Input costs were down year-on-year, with lower wood, energy, chemicals and plastic resin costs. While cash fixed costs were slightly higher due to increased costs to service our customers' incremental volumes and inflationary effects, this was mitigated by our strong cost control initiatives. We drove ongoing operational excellence initiatives to increase productivity and efficiency and reduce conversion costs. During the year we closed two consumer flexibles plants in the UK and announced the closure of another plant in South Korea.

All planned maintenance shuts at our Flexible Packaging mills were completed in the second half of the year. In 2021, the majority of planned maintenance shuts are scheduled for the second half.

Engineered Materials

€ million	Year ended 31 December 2020	Year ended 31 December 2019	Change %	Six months ended 31 December 2020	Six months ended 31 December 2019	Change %
Segment revenue	**801**	979	(18)	**377**	461	(18)
Underlying EBITDA	**80**	122	(34)	**35**	66	(47)
Underlying EBITDA margin	**10.0%**	12.5%		**9.3%**	14.3%	
Underlying operating profit	**44**	86	(49)	**17**	48	(65)
Special items	**(49)**	—		**(49)**	—	
Capital expenditure cash payments	**74**	32		**28**	20	
Operating segment net assets	**589**	612				
ROCE	**7.5%**	13.8%				

Underlying EBITDA of €80 million was down 34% on the prior year, in which a one-off gain on disposal of a profitable plant in Belgium of €9 million was recognised.

Demand was good in consumer end-uses, in particular food, hygiene and home care applications as lockdown measures drove increased use of cleaning products and at home consumption. Demand in industrial and specialised end-uses was generally weaker, although the release liner business saw an improvement as we progressed through the second half. Volumes in personal care components were lower, as anticipated, driven by a key product maturing and the implementation of technology changes.

Prices were lower on average, reflecting generally lower input costs, mainly resin and speciality kraft paper. Cost control was strong and the business benefited from ongoing cost reduction programmes.

We are investing to support the realignment of this product portfolio. We are also implementing further measures to reduce the cost base and stabilise the business, including the closure of a functional paper and films plant in Pleasant Prairie (Wisconsin, US) and restructuring our personal care components focused operations in Gronau (Germany). Related special item charges of €49 million (including €27 million of non-cash asset impairment charges) were recorded. In combination, these measures are expected to stabilise performance in 2021 and return the business to growth thereafter.

We are excited by the opportunity to develop innovative sustainable packaging solutions by combining Engineered Materials' coating technologies and know-how with Flexible Packaging's speciality kraft paper portfolio, customer relationships and converting capabilities.

Uncoated Fine Paper

€ million	Year ended 31 December 2020	Year ended 31 December 2019	Change %	Six months ended 31 December 2020	Six months ended 31 December 2019	Change %
Segment revenue	**1,485**	1,758	(16)	**711**	845	(16)
Underlying EBITDA	**266**	444	(40)	**102**	190	(46)
Underlying EBITDA margin	**17.9%**	25.3%		**14.3%**	22.5%	
Underlying operating profit	**153**	324	(53)	**47**	130	(64)
Special items	**—**	2		**—**	2	
Capital expenditure cash payments	**145**	220		**65**	117	
Operating segment net assets	**1,582**	1,758				
ROCE	**11.3%**	25.1%				

Underlying EBITDA was down 40% to €266 million with lower average selling prices, lower uncoated fine paper volumes and a significantly lower forestry fair value gain more than offsetting lower input costs and the benefit of shorter maintenance shuts.

Uncoated fine paper volumes were lower year-on-year as the effects of the various lockdown measures impacted demand for professional and office printing papers. Order books improved throughout the third quarter and were stable in the fourth quarter, albeit they remained below pre-pandemic levels. We estimate the European market declined by around 15% year-on-year while our sales volumes declined by 8% overall and 2% in Europe. We increased our market share in all the key markets where we operate as our customers valued the stability of a long-term supplier, recognising we remain strategically well positioned in the context of the current market challenges given our broad product diversification, excellent customer service, geographic positioning and cost competitiveness.

Average benchmark European uncoated fine paper selling prices were down 7% on the prior year following price erosion during 2019 which continued into 2020. On the back of recovering demand and increasing costs, we have announced price increases from March 2021 across our key markets.

Average benchmark European bleached hardwood pulp prices were down 22% compared with the prior year. On the back of tight global markets, pulp prices are increasing in the first quarter of 2021. Including the pulp sales in our packaging businesses, the Group's pulp net long position in 2020 was around 450,000 tonnes, expected to reduce to around 350,000 tonnes in 2021 as the new containerboard machine in Ružomberok ramps up and Richards Bay's production is affected by the prolonged maintenance shut.

Input costs reduced due to lower wood, energy and chemicals costs. Fixed costs were marginally lower, with strong cost control offsetting domestic inflationary cost pressures.

The forestry assets' fair value is dependent on a variety of external factors over which we have limited control, the most significant being the export price of timber, the exchange rate and domestic input costs. Stable export prices and net volume increases during the period resulted in a forestry fair value gain of €27 million, down €44 million year-on-year. Based on current market conditions, we would expect a similar level of forestry fair value gain in 2021.

We completed planned maintenance shuts at all uncoated fine paper mills in the second half of the year. In 2021, our Syktyvkar shut is planned for the first half of the year while most of the remaining shuts are scheduled for the second half.

Capital investments

Our disciplined approach to investigating, approving and executing capital projects is one of our key strengths and plays an important role in successfully delivering strong returns through-the-cycle.

Our capital investments focus on driving organic growth, strengthening our cost competitiveness, enhancing our product offering, quality and service to customers and improving our environmental footprint. This ongoing investment in our cost-advantaged asset base enables us to continue to capture opportunities in our growing packaging markets, supported by strong structural growth trends, including e-commerce and the trend to transition to more sustainable packaging solutions.

Since 2014, we have successfully commissioned and ramped up a number of projects totalling €1.4 billion across our global network. These projects have generated average returns above 20% and added around 600,000 tonnes per annum of cost advantaged capacity. They have strengthened our customer offering, improved operational efficiency, reduced costs, improved our environmental footprint and unlocked options for future growth.

During the year, we benefited from the full ramp-up of the Štětí mill modernisation completed in late 2018, the rebuild of the pulp mill at Ružomberok completed in 2019, and other smaller investments in our mills and packaging converting plants. We estimate the underlying EBITDA contribution of these projects in 2020 was around €50 million. We expect to generate a further €50 million incremental contribution from projects in 2021.

Our focused capital expenditure project pipeline secures organic growth in our upstream cost-advantaged asset base:

- The investment in a new 300,000 tonne per annum kraft top white machine at Ružomberok started up at the end of January 2021 and is making good progress ramping up (capital expenditure of €370 million including the pulp mill upgrade commissioned in the second half of 2019). Our customers are excited by this innovative containerboard grade, combining excellent printability, fantastic strength and a high recycled fibre content.
- Early in January 2021, we commissioned the €67 million project to convert a containerboard machine at Štětí to be fully dedicated to the production of speciality kraft paper with a mix of recycled and virgin fibre content for shopping bag applications. This project will further support our retail customers' efforts to replace unnecessary plastic as they transition to more sustainable packaging solutions that contribute to the circular economy. Once ramped up, the project will result in an additional 75,000 tonnes per annum of speciality kraft paper capacity while our containerboard capacity will be reduced by 30,000 tonnes per annum.
- The investment programme at Syktyvkar to debottleneck production and maintain competitiveness, including various enhancements of the mill infrastructure, a new evaporation plant and a pulp dryer upgrade is progressing well.
- The modernisation of our Richards Bay mill, including upgrading the energy and chemical plants to improve reliability, avoid unplanned shutdowns and improve our environmental performance, is ongoing with a prolonged mill shut planned for later this year as part of the project implementation process.

Our current major upstream projects are expected to increase our saleable pulp and paper production by around 7% when in full operation.

We continue to invest in our downstream converting businesses, including our Corrugated Packaging, Flexible Packaging and Engineered Materials plants to grow with our customers, enhance our product and service offering, improve efficiency and reduce conversion costs. For example, we are upgrading and expanding a key e-commerce plant in Bupak (Czech Republic) and investing in e-commerce paper-based mailerbags production at various sites in Europe. We have started up a new greenfield paper bag plant in Cartagena (Colombia) to serve our customers in the region and we have recently approved plans to expand our North African footprint, with a new paper bag plant in Tangier (Morocco). To meet our customers' demand for sustainable biodegradable wipes, we are investing in a new line at our plant in Ascania (Germany), which is scheduled to start up in the first quarter of 2021.

Given the approved project pipeline, our capital expenditure is expected to be around €600-700 million in 2021 (around 150-175% of depreciation). We continue to evaluate further capital investment projects for growth, leveraging our high-quality, cost-advantaged asset base.

Special items

The net special item charge before tax of €57 million (2019: €16 million) is mainly due to €30 million of restructuring and closure costs and €26 million of net impairment charges relating to the following by business unit:

- Flexible Packaging
  - – Closure of two consumer flexibles plants in the UK, with an initial charge recognised as a special item in the prior year
- Engineered Materials
  - – Closure of a functional paper and films plant in the US
  - – Restructuring of a personal care components plant in Germany

The operating special items resulted in a cash outflow of €28 million for the year ended 31 December 2020 (2019: €22 million).

Tax

Our underlying tax charge for the year was €180 million (2019: €257 million) giving an effective tax rate of 22% (2019: 23%), broadly in line with our expectations. Tax relief on special items was €12 million (2019: €0 million).

Assuming a similar geographic profit mix and stable statutory tax rates, we expect our effective tax rate in 2021 to remain around the same level.

Cash flow

Cash generated from operations of €1,485 million (2019: €1,635 million), reflects the continued strong cash generating capability of the Group.

Excellent focus on working capital management and strong trading in the fourth quarter resulted in lower working capital as a percentage of revenue of 11.1% (2019: 13.1%), below our expected range of 12% to 14%. The net cash inflow from movements in working capital during the year was €125 million (2019: €35 million inflow).

Capital expenditure was €630 million (2019: €757 million), or around 160% of depreciation. Tax paid of €168 million (2019: €248 million) was lower than the prior year.

Further outflows from financing activities included the payment of dividends of €237 million (2019: €396 million) and interest of €82 million (2019: €96 million).

Treasury and borrowings

The Group has a strong balance sheet. Net debt at 31 December 2020 was down by more than €400 million in the year to €1,791 million, from €2,207 million at 31 December 2019, reflecting the strong through-the-cycle cash generating capacity of our business. Gearing at the same date was 29% and our net debt to underlying EBITDA ratio was 1.3 times, well within our key financial covenant requirement of 3.5 times.

In April 2020, we successfully issued a 2.375% €750 million 8-year Eurobond and extended the maturity of €675 million of the €750 million Syndicated Revolving Credit Facility by one year to July 2022. In September 2020, we redeemed a €500 million Eurobond on maturity. There are no significant short-term debt maturities.

At 31 December 2020, the Group had a strong liquidity position of around €1.2 billion, comprising €869 million of undrawn committed debt facilities and net cash of €348 million. The weighted average maturity of our committed debt facilities is 5.7 years.

Underlying net finance costs of €95 million were €9 million lower than the previous year. Average net debt of €2,012 million was lower (2019: €2,243 million) while the effective interest rate was slightly higher at 4.5% (2019: 4.2%), as a result of higher cash balances.

The Group's investment grade credit metrics were reconfirmed during the course of the year, at BBB+ and Baa1 for Standard & Poor's and Moody's Investors Service, respectively.

Dividend

The Board aims to offer shareholders long-term ordinary dividend growth within a targeted dividend cover range of two to three times on average over the cycle, although the payout ratio in each year may vary in accordance with the business cycle.

In April, at the height of the first wave of the pandemic, the Board took the difficult but prudent decision to withdraw the recommendation to pay the 2019 final dividend, with a commitment to re-evaluate later in the year when the impact of the pandemic became clearer. In August, having delivered a robust trading performance in the first half of the year and given our resilient business model and strong financial position, the Board was pleased to resume the payment of dividends. The Board declared a dividend of 29.75 euro cents per share relating to the 2019 financial year, bringing the total dividends paid relating to 2019 to 57.03 euro cents per share, in addition to a 2020 interim dividend of 19.00 euro cents per share.

Given our strong financial position and confidence in the future of the business, the Board has recommended a final 2020 dividend of 41.00 euro cents per share. The final dividend, together with the interim dividend, amount to a total dividend for the year of 60.00 euro cents per share, an increase of 5% on the 2019 total dividend.

The final dividend is subject to the approval of the shareholders of Mondi plc at the Annual General Meeting scheduled for 6 May 2021 and, if approved, is payable on 13 May 2021 to shareholders on the register on 9 April 2021.

Outlook

Looking ahead, although the near-term macroeconomic outlook continues to be uncertain, we remain confident in the structural growth drivers in the packaging sectors in which we operate and the strength of our paper position. We are seeing strong order books supporting price increases in most packaging and pulp grades, and are encouraged by the improving uncoated fine paper demand. We are planning longer project-related maintenance shuts and are seeing input cost pressures and currency headwinds, although the benefits from our capital expenditure programme will continue to support our performance.

Underpinned by the Group's integrated cost-advantaged asset base, culture of continuous improvement, portfolio of sustainable packaging solutions and the strategic flexibility offered by our strong cash generation and financial position, the Group remains well-placed to deliver sustainably into the future.

Principal risks

The Board is responsible for the effectiveness of the Group's risk management activities and internal control processes. It has put procedures in place for identifying, evaluating, and managing the significant risks that the Group faces. In combination with the audit committee, the Board has conducted a robust assessment of the principal risks to which Mondi is exposed and has reviewed emerging risks during the year. The Board is satisfied that the Group has effective systems and controls in place to manage its key risks within the risk tolerance levels established.

Risk management is by nature a dynamic and ongoing process. Our approach is regularly reviewed to ensure that it remains relevant at all levels of the business, and dynamic to ensure we can be responsive to changing business conditions. This is particularly important given the diversity of the Group’s locations, markets and production processes. Our internal control environment is designed to safeguard the assets of the Group and to provide reasonable assurance that the Group’s business objectives will be achieved.

Key changes in the year

The Group’s most significant risks are long term in nature and in general do not change materially in the short term. The assessment of the principal risks is updated annually to reflect the developments in our strategic priorities and Board discussions on emerging risks. The key significant changes identified during 2020 are set out below.

As previously indicated, the Board has closely monitored the COVID-19 outbreak and its impact on our business, global trade and the macroeconomic outlook. During 2020 the Board identified the implications of a pandemic as a new principal risk.

Based on our increasing reliance on IT systems and the increased prevalence of remote working, the related cyber security risks have been decoupled from our information technology risk and presented on a stand-alone basis.

Our understanding of the risks and implications related to climate change continued to develop throughout the year enhanced by the work performed towards meeting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), following which the anticipated impact of the climate change related risk has been increased.

We continue to monitor the risks and implications of events related to the UK’s exit from the European Union.

Emerging risks

The Board has highlighted the execution of major capital expenditure projects as a notable emerging risk in the current year. This emerging risk is not new to the Group but was elevated in 2020 due to COVID-19. The emerging risk is managed through mitigating activities such that the residual risk exposure is not considered significant. All capital expenditure projects are planned in detail with contingency plans in place in order to avoid cost overruns, design and building defects and to ensure employee and contractor safety. In addition, COVID-19 impacted our ability to plan and execute some of our major capital expenditure projects in the year as we minimised the number of contractors and other non-operating people on our sites and adapted to local restrictions. We will continue to monitor potential risks relating to executing on major capital expenditure projects in the year ahead including, but not limited to, the effects of COVID-19.

Pandemic risk

The rapid spread of COVID-19 has resulted in unprecedented health, social and economic measures implemented by authorities around the world which have materially impacted the Group’s business. Since the start of the COVID-19 pandemic, the health, safety and welfare of the Group’s employees and our communities have remained our top priority.

The Executive Committee and Board continue to monitor our exposure and the impact of COVID-19 on the Group and evaluate actions to mitigate the risk, and where possible, identify opportunities that have arisen. In future, these actions and other monitoring techniques which we have developed, will enable the Group to be dynamic in its reaction to the risk of a pandemic as it develops.

Strategic risks

The industries and geographies in which we operate expose us to specific long-term risks which are accepted by the Board as a consequence of the Group’s chosen strategy and operating footprint.

We continue to monitor recent capacity announcements and demand developments, how consumers are demanding more sustainable packaging, the developments after the UK ended its membership of the European Union, the stability of the Eurozone and the increasing prevalence of trade tariffs and economic sanctions. Furthermore, while we continue to increase our understanding of climate change related risks and the impacts become clearer, we will continue to improve our disclosures and develop our responses.

The Executive Committee and Board monitor our exposure to these risks and evaluate investment decisions against our overall exposures so that our strategic capital allocation takes advantage of the opportunities arising from our deliberate exposure to such risks.

Our principal strategic risks relate to the following:

- Industry productive capacity
- Product substitution
- Fluctuations and variability in selling prices or gross margins
- Country risk
- Climate change related risk

Financial risks

We aim to maintain an appropriate capital structure and to manage our financial risk exposures in compliance with all laws and regulations.

Despite ongoing short-term currency volatility and increased scrutiny of the tax affairs of multinational companies, our overall residual risk exposure remains similar to previous years, reflecting our attentive approach to financial risk management.

Our principal financial risks relate to the following:

- Capital structure
- Currency risk
- Tax risk

Operational risks

As a Group we focus on operational excellence and investment in our people and are committed to the responsible use of resources.

Our investments to improve our energy efficiency, engineer out our most significant safety risks, improve operating efficiencies, and renew our equipment continue to reduce the likelihood of operational risk events. However, the potential impact of any such event remains unchanged.

Our principal operational risks relate to the following:

- Cost and availability of raw materials
- Energy security and related input costs
- Technical integrity of our operating assets
- Environmental impact
- Employee and contractor health and safety
- Attraction and retention of key skills and talent
- Cyber security risk

Compliance risks

We have a zero tolerance approach to compliance risks. Our strong culture and values, emphasised in every part of our business, with a focus on integrity, honesty, and transparency, underpin our approach.

Our principal compliance risks relate to the following:

- Reputational risk
- Information technology risk

A more detailed description of our principal risks can be found in the Group's 2020 Integrated Report, which is planned to be published at the end of March 2021.

Going concern

The directors have reviewed the Group’s budget, considered the assumptions contained in the budget, including consideration of the plausible future impact of the COVID-19 pandemic and the other principal risks which may impact the Group’s performance in the near term.

The Group’s financial position, cash flows, liquidity position and borrowing facilities are described in the condensed consolidated financial statements. At 31 December 2020, Mondi had €869 million (2019: €660 million) of undrawn, committed debt facilities. The Group’s debt facilities have maturity dates of between less than 1 and 8 years, with a weighted average maturity of 5.7 years. The principal loan arrangements are disclosed in note 11 of the condensed consolidated financial statements. In addition, the Group has €348 million of cash and cash equivalents available to fund its short-term needs.

The Group’s sole bank debt covenant requires that its net debt to underlying EBITDA ratio must not exceed 3.5 times. The ratio at 31 December 2020 was substantially below the maximum covenant level at 1.3 times.

The current and plausible future impact of COVID-19 and related macroeconomic environment on the Group's activities and performance has been considered by the Board in preparing its going concern assessment. The base case forecasts were sensitised to reflect a severe but plausible downside scenario including possible impacts of the COVID-19 pandemic on Group performance. In the severe but plausible downside scenario, the Group remains within its sole bank debt covenant and has sufficient liquidity headroom.

In addition to its modelled downside going concern scenario, the Board has reverse stress tested the model to determine the extent of downturn which would result in a breach of its sole bank debt covenant. A decline of 48% to the budgeted 2021 underlying EBITDA, which is well in excess of that contemplated in the plausible downside scenario would need to persist throughout the period to 30 June 2022 for a covenant breach to occur, which is considered very unlikely. This stress test also does not incorporate mitigating actions like reductions and deferrals of capital and operational expenditure or cash preservation responses, which the Group would implement in the event of a severe and extended revenue decline.

Following its assessment, the directors have formed a judgement, at the time of approving the condensed consolidated financial statements, that there are no material uncertainties that cast doubt on the Group's going concern status and that it is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Group continues to adopt the going concern basis in preparing the condensed consolidated financial statements 2020.

Enquiries

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Conference call dial-in and audio webcast details

Please see below details of our dial-in conference call and audio webcast that will be held at 09:00 (UK) and 11:00 (SA) today.

The conference call dial-in numbers are:

UK	0800 279 6619
South Africa	0800 014 552
Other	+44 2071 928338
Conference ID	5436419

An audio webcast will be available via https://www.mondigroup.com/en/investors/

A presentation will be available to download from the above website 30 minutes before the audio webcast commences. Questions can be submitted via the dial-in conference call or via the audio webcast facility. If you wish to ask a question verbally, please connect via the dial-in conference call.

Should you have any issues on the day with accessing the dial-in conference call, please call +44 2071 928338.

For queries regarding access to the audio webcast, please e-mail group.communication@mondigroup.com and you will be contacted as soon as possible.

A recording of the presentation will be available on Mondi's website during the afternoon of 25 February 2021.

Directors’ responsibility statement

The Group annual financial statements have been audited in accordance with the applicable requirements of the Companies Act 2006.

The responsibility statement has been prepared in connection with the Group’s Integrated report and financial statements 2020, extracts of which are included within this announcement.

The directors confirm that to the best of their knowledge:

- the condensed consolidated financial statements have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS) and are derived from the audited consolidated financial statements of the Group, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (they do not contain sufficient information to comply with IFRS);
- the Group’s consolidated financial statements, prepared in accordance with IFRS, give a true and fair view of the financial position and profit of the Group;
- the Strategic report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties it faces;
- the Integrated report and financial statements 2020, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group’s performance, business model and strategy;
- there have been no significant individual related party transactions during the year; and
- there have been no significant changes in the Group’s related party relationships from that reported in the half-year results for the six months ended 30 June 2020.

The Group’s condensed consolidated financial statements, and related notes, including this responsibility statement, were approved by the Board and authorised for issue on 24 February 2021 and were signed on its behalf by:

Andrew King
Director

Mike Powell
Director

Audited financial information

The condensed consolidated financial statements and notes 1 to 18 for the year ended 31 December 2020 are derived from the Group annual financial statements which have been audited by PricewaterhouseCoopers LLP. The unmodified audit report is available for inspection at the Group’s registered office.

Condensed consolidated income statement

for the year ended 31 December 2020

€ million	Notes	2020 Underlying	2020 Special items (Note 4)	2020 Total	2019 Underlying	2019 Special items (Note 4)	2019 Total
Group revenue	3	**6,663**	**—**	**6,663**	**7,268**	**—**	**7,268**
Materials, energy and consumables used		(3,120)	—	(3,120)	(3,449)	—	(3,449)
Variable selling expenses		(558)	—	(558)	(549)	—	(549)
Gross margin		2,985	—	2,985	3,270	—	3,270
Maintenance and other indirect expenses		(346)	—	(346)	(363)	—	(363)
Personnel costs		(1,051)	(21)	(1,072)	(1,072)	40	(1,032)
Other net operating expenses		(235)	(10)	(245)	(177)	(1)	(178)
EBITDA		**1,353**	**(31)**	**1,322**	**1,658**	**39**	**1,697**
Depreciation, amortisation and impairments		(428)	(26)	(454)	(435)	(41)	(476)
Operating profit	3	**925**	**(57)**	**868**	**1,223**	**(2)**	**1,221**
Net loss from equity accounted investees		(3)	—	(3)	—	—	—
Net finance costs	6	(95)	—	(95)	(104)	(14)	(118)
Profit before tax		827	(57)	770	1,119	(16)	1,103
Tax (charge)/credit	7	(180)	12	(168)	(257)	—	(257)
Profit for the year		**647**	**(45)**	**602**	**862**	**(16)**	**846**
Attributable to:							
Non-controlling interests		**20**	**—**	**20**	**33**	**1**	**34**
Shareholders		**627**	**(45)**	**582**	**829**	**(17)**	**812**
Earnings per share (EPS) attributable to shareholders (euro cents)							
Basic EPS	8			**120.0**			**167.6**
Diluted EPS	8			**120.0**			**167.6**
Basic underlying EPS	8			**129.3**			**171.1**
Diluted underlying EPS	8			**129.3**			**171.1**

Condensed consolidated statement of comprehensive income

for the year ended 31 December 2020

€ million	2020 Before tax amount	2020 Tax charge	2020 Net of tax amount	2019 Before tax amount	2019 Tax credit	2019 Net of tax amount
Profit for the year			**602**			**846**
Items that may subsequently be reclassified to the condensed consolidated income statement						
Fair value gains/(losses) arising from cash flow hedges	4	—	4	(4)	—	(4)
Exchange differences on translation of foreign operations	(367)	—	(367)	143	—	143
Items that will not subsequently be reclassified to the condensed consolidated income statement						
Remeasurements of retirement benefits plans	(2)	(3)	(5)	(21)	3	(18)
Other comprehensive (expense)/income for the year	**(365)**	**(3)**	**(368)**	**118**	**3**	**121**
Other comprehensive (expense)/income attributable to:						
Non-controlling interests	(9)	—	**(9)**	(9)	—	**(9)**
Shareholders	(356)	(3)	**(359)**	127	3	**130**
Total comprehensive income attributable to:						
Non-controlling interests			**11**			**25**
Shareholders			**223**			**942**
Total comprehensive income for the year			**234**			**967**

Condensed consolidated statement of financial position

as at 31 December 2020

€ million	Notes	2020	2019
Property, plant and equipment		4,641	4,800
Goodwill		923	948
Intangible assets		70	81
Forestry assets	10	372	411
Other non-current assets		101	111
Total non-current assets		**6,107**	**6,351**
Inventories		849	984
Trade and other receivables		1,006	1,111
Cash and cash equivalents	13b	382	74
Other current assets		23	20
Total current assets		**2,260**	**2,189**
Total assets		**8,367**	**8,540**
Short-term borrowings	11	(128)	(780)
Trade and other payables		(1,116)	(1,143)
Other current liabilities		(146)	(157)
Total current liabilities		**(1,390)**	**(2,080)**
Medium and long-term borrowings	11	(2,050)	(1,496)
Net retirement benefits liability	12	(215)	(225)
Deferred tax liabilities		(278)	(301)
Other non-current liabilities		(52)	(53)
Total non-current liabilities		**(2,595)**	**(2,075)**
Total liabilities		**(3,985)**	**(4,155)**
Net assets		**4,382**	**4,385**
Equity			
Share capital		97	97
Retained earnings and other reserves		3,905	3,918
Total attributable to shareholders		**4,002**	**4,015**
Non-controlling interests in equity		380	370
Total equity		**4,382**	**4,385**

The Group's condensed consolidated financial statements, including related notes 1 to 18, were approved by the Board and authorised for issue on 24 February 2021 and were signed on its behalf by:

Andrew King
Director

Mike Powell
Director

Condensed consolidated statement of changes in equity

for the year ended 31 December 2020

€ million	Equity attributable to shareholders	Non-controlling interests	Total equity
At 1 January 2019	3,485	340	**3,825**
Total comprehensive income for the year	942	25	**967**
Dividends	(396)	(3)	**(399)**
Purchases of treasury shares	(12)	—	**(12)**
Issue of ordinary shares, net of expenses	(6)	—	**(6)**
Other	2	8	**10**
At 31 December 2019	**4,015**	**370**	**4,385**
Total comprehensive income for the year	223	11	**234**
Dividends	(237)	(4)	**(241)**
Purchases of treasury shares	(6)	—	**(6)**
Other	7	3	**10**
At 31 December 2020	**4,002**	**380**	**4,382**

Equity attributable to shareholders

€ million	2020	2019
Share capital	97	97
Treasury shares	(18)	(25)
Retained earnings	4,300	3,963
Cumulative translation adjustment reserve	(1,038)	(680)
Post-retirement benefits reserve	(51)	(52)
Share-based payment reserve	16	20
Cash flow hedge reserve	—	(4)
Merger reserve	667	667
Other sundry reserves	29	29
Total	**4,002**	**4,015**

Condensed consolidated statement of cash flows

for the year ended 31 December 2020

€ million	Notes	2020	2019
Cash flows from operating activities			
Cash generated from operations	13a	1,485	1,635
Dividends received from other investments		1	1
Income tax paid		(168)	(248)
Net cash generated from operating activities		**1,318**	**1,388**
Cash flows from investing activities			
Investment in property, plant and equipment		(630)	(757)
Investment in intangible assets		(18)	(12)
Investment in forestry assets	10	(43)	(48)
Investment in equity accounted investees		—	(5)
Acquisition of businesses, net of cash and cash equivalents		—	(2)
Proceeds from the disposal of businesses, net of cash and cash equivalents		—	20
Other investing activities		16	10
Net cash used in investing activities		**(675)**	**(794)**
Cash flows from financing activities			
Proceeds from Eurobonds	13c	744	—
Repayment of Eurobonds	13c	(500)	—
Repayment of other medium and long-term borrowings	13c	(86)	(48)
Net repayment of short-term borrowings	13c	(136)	(20)
Repayment of lease liabilities	13c	(24)	(23)
Interest paid		(82)	(96)
Transaction costs relating to the issue of share capital		—	(6)
Dividends paid to shareholders	9	(237)	(396)
Dividends paid to non-controlling interests	9	(4)	(3)
Purchases of treasury shares		(6)	(12)
Financing special item	4	—	(14)
Net cash inflow from derivatives	13c	59	3
Other financing activities		4	5
Net cash used in financing activities		**(268)**	**(610)**
Net increase/(decrease) in cash and cash equivalents		**375**	**(16)**
Cash and cash equivalents at beginning of year		(7)	8
Cash movement in the year	13c	375	(16)
Effects of changes in foreign exchange rates	13c	(20)	1
Cash and cash equivalents at end of year	13b	**348**	**(7)**

Notes to the condensed consolidated financial statements
for the year ended 31 December 2020

1 Basis of preparation

These condensed consolidated financial statements as at and for the year ended 31 December 2020 comprise Mondi plc and its subsidiaries (referred to as the 'Group'), and the Group's share of the results and net assets of its associates and joint ventures.

The Group's condensed consolidated financial statements have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS). They have been derived from the audited consolidated financial statements of the Group, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The Group's condensed consolidated financial statements do not contain sufficient information to comply with IFRS.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2020 or 2019 but is derived from those accounts. Statutory accounts for 2019 have been delivered to the Registrar of Companies, and those for 2020 will be delivered in due course. The auditor has reported on those accounts; its report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. Copies of the unqualified auditor's report on the Integrated report and financial statements 2020 are available for inspection at the registered office of Mondi plc.

The condensed consolidated financial statements have been prepared on a going concern basis as discussed in the commentary under the heading 'Going concern' which is incorporated by reference into these condensed consolidated financial statements.

The condensed consolidated financial statements have been prepared under the historical cost basis of accounting, as modified by forestry assets, pension assets and financial assets and financial liabilities held at fair value through profit and loss.

Impact of COVID-19 on the condensed consolidated financial statements at 31 December 2020
Management has considered the impact of the COVID-19 pandemic on the estimates and judgements it has to exercise in applying its accounting policies. In the context of the increased level of macroeconomic uncertainty resulting from the COVID-19 pandemic, management has given increased attention in its assessment of the impairment of non-current non-financial assets.

As required by IAS 36, 'Impairment of Assets', impairment tests of goodwill were performed at year-end and of property, plant and equipment when indicators of impairment were identified. The impairment tests were performed using value-in-use calculations for each group of CGUs in relation to goodwill and for each CGU in relation to property, plant and equipment. There has been no change in the identification of CGUs in the current year.

Following the restructuring of the personal care components focused operations in Gronau (Germany), management performed an impairment test for the Gronau plant CGU and concluded that an impairment charge of €18 million was recognised as a special item in the condensed consolidated income statement (see note 4). In addition to certain idle assets being fully impaired, management assessed the recoverable amount of the CGU based on three probability-weighted scenarios. Aside from the base scenario derived from the budget most recently approved by the Board covering the three-year period to 31 December 2023, management included an optimistic and a pessimistic scenario in the calculation of the recoverable amount to address the uncertainty associated with the cash flow forecasts.

The key assumptions reflected in the cash flow forecasts include sales volumes, sales prices and variable input cost assumptions derived from a combination of economic and industry forecasts for individual product lines, internal management projections, historical performance, and announced and expected industry capacity changes.

A pre-tax discount rate of 9.5% was used for impairment testing and a nil growth rate was assumed beyond the budget period into perpetuity.

With the exception of the personal care components plant in Gronau, no impairment was identified from the tests performed. The directors do not believe that a reasonably possible change in key assumptions could result in an impairment of goodwill or give rise to a significant risk of a material adjustment to the carrying value of the non-financial assets of any individual CGU in the next twelve months.

In addition, the recoverability of the Group's trade receivables and the net realisable value of inventories have been reassessed. No material adjustments have been made in relation to these estimates in the year ended 31 December 2020.

2 Accounting policies

The same accounting policies and alternative performance measures (APMs), methods of computation and presentation have been followed in the preparation of the condensed consolidated financial statements for the year ended 31 December 2020 as were applied in the preparation of the Group's annual financial statements for the year ended 31 December 2019, except for further amendments to IFRS becoming effective for the financial period beginning on 1 January 2020. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these new amendments.

Alternative Performance Measures
The Group presents certain measures of financial performance, position or cash flows in the condensed consolidated financial statements that are not defined or specified according to IFRS. These measures, referred to as APMs, are defined at the end of this document and where relevant reconciled to IFRS in the notes to the condensed consolidated financial statements, and are prepared on a consistent basis for all periods presented.

3 Operating segments

Year ended 31 December 2020

€ million, unless otherwise stated	Corrugated Packaging	Flexible Packaging	Engineered Materials	Uncoated Fine Paper	Corporate	Intersegment elimination	Total
Segment revenue	1,879	2,667	801	1,485	—	(169)	**6,663**
Internal revenue	(32)	(66)	(31)	(40)	—	169	**—**
External revenue	1,847	2,601	770	1,445	—	—	**6,663**
Underlying EBITDA	518	519	80	266	(30)	—	**1,353**
Depreciation and underlying impairments	(115)	(146)	(27)	(111)	(1)	—	**(400)**
Amortisation	(6)	(11)	(9)	(2)	—	—	**(28)**
Underlying operating profit/(loss)	397	362	44	153	(31)	—	**925**
Special items	—	(8)	(49)	—	—	—	**(57)**
Operating segment assets	2,331	2,942	695	1,873	5	(96)	**7,750**
Operating segment net assets	2,087	2,475	589	1,582	(3)	—	**6,730**
Trailing 12-month average capital employed	1,764	2,468	590	1,349	(96)	—	**6,075**
Additions to non-current non-financial assets	268	178	73	183	—	—	**702**
Capital expenditure cash payments	249	162	74	145	—	—	**630**
Underlying EBITDA margin (%)	*27.6*	*19.5*	*10.0*	*17.9*	—	—	***20.3***
Return on capital employed (%)	*22.5*	*14.5*	*7.5*	*11.3*	—	—	***15.2***
Average number of employees (thousands)[1]	6.7	10.4	2.2	6.3	0.1	—	**25.7**

Note:
1 Presented on a full time employee equivalent basis

Year ended 31 December 2019

€ million, unless otherwise stated	Corrugated Packaging	Flexible Packaging	Engineered Materials	Uncoated Fine Paper	Corporate	Intersegment elimination	Total
Segment revenue	2,014	2,708	979	1,758	—	(191)	**7,268**
Internal revenue	(30)	(71)	(45)	(45)	—	191	**—**
External revenue	1,984	2,637	934	1,713	—	—	**7,268**
Underlying EBITDA	583	543	122	444	(34)	—	**1,658**
Depreciation and underlying impairments	(118)	(142)	(28)	(118)	(1)	—	**(407)**
Amortisation	(6)	(12)	(8)	(2)	—	—	**(28)**
Underlying operating profit/(loss)	459	389	86	324	(35)	—	**1,223**
Special items	—	(4)	—	2	(14)	—	**(16)**
Operating segment assets	2,407	3,094	723	2,082	7	(117)	**8,196**
Operating segment net assets	2,166	2,603	612	1,758	(7)	—	**7,132**
Trailing 12-month average capital employed	1,846	2,485	622	1,290	(81)	—	**6,162**
Additions to non-current non-financial assets	275	256	37	310	—	—	**878**
Capital expenditure cash payments	257	248	32	220	—	—	**757**
Underlying EBITDA margin (%)	*28.9*	*20.1*	*12.5*	*25.3*	—	—	***22.8***
Return on capital employed (%)	*24.9*	*15.7*	*13.8*	*25.1*	—	—	***19.8***
Average number of employees (thousands)[1]	6.7	10.4	2.4	6.3	0.1	—	**25.9**

Note:
1 Presented on a full time employee equivalent basis

3 Operating segments (continued)

Reconciliation of operating segment assets

€ million	2020 Segment assets	2020 Segment net assets	2019 Segment assets	2019 Segment net assets
Group total	**7,750**	**6,730**	**8,196**	**7,132**
Unallocated				
Investment in equity accounted investees	10	10	14	14
Deferred tax assets/(liabilities)	39	(239)	49	(252)
Other non-operating assets/(liabilities)[1]	177	(328)	204	(302)
Group capital employed	**7,976**	**6,173**	**8,463**	**6,592**
Financial instruments/(net debt)	391	(1,791)	77	(2,207)
Total assets/equity	**8,367**	**4,382**	**8,540**	**4,385**

Note:
1 Includes non-current financial instruments, current tax assets/(liabilities), provisions for restructuring costs, employee related and other provisions, derivative financial instruments and other non-operating receivables/(payables)

External revenue by location of production and by location of customer

€ million	External revenue by location of production 2020	External revenue by location of production 2019	External revenue by location of customer 2020	External revenue by location of customer 2019
Africa				
South Africa	409	539	309	402
Rest of Africa	55	50	254	289
Africa total	464	589	563	691
Western Europe				
Austria	1,062	1,097	140	150
Germany	766	856	863	939
United Kingdom	28	43	179	205
Rest of western Europe	641	720	1,344	1,437
Western Europe total	2,497	2,716	2,526	2,731
Emerging Europe				
Czech Republic	520	536	178	184
Poland	983	1,059	548	599
Rest of emerging Europe	833	891	791	829
Emerging Europe total	2,336	2,486	1,517	1,612
Russia	796	889	622	707
North America	481	490	731	757
South America	—	—	107	112
Asia and Australia	89	98	597	658
Group total	**6,663**	**7,268**	**6,663**	**7,268**

4 Special items

€ million	2020	2019
Operating special items		
Impairment of assets	(27)	(42)
Reversal of impairment of assets	1	1
Restructuring and closure costs:		
Personnel costs	(21)	(1)
Other restructuring and closure costs	(9)	4
Third party contribution relating to the Group's Austrian health insurance fund	—	41
Settlement of claim relating to the 2012 Nordenia acquisition	(1)	(5)
Total operating special items	**(57)**	**(2)**
Financing special item		
Simplification of corporate structure	—	(14)
Total special items before tax	**(57)**	**(16)**
Tax credit (see note 7)	12	—
Total special items	**(45)**	**(16)**
Attributable to:		
Non-controlling interests	—	1
Shareholders	(45)	(17)

The special items during the year comprised:

- Flexible Packaging
  - Closure of two consumer flexibles plants in the UK. Additional restructuring and closure costs of €8 million and related reversal of impairment of assets of €1 million were recognised. These costs are a continuation of the special item from prior year with total costs in excess of €10 million.
  - Additional costs of €1 million for the settlement of a claim relating to the 2012 Nordenia acquisition were recognised. The costs relate to a special item from prior years with total costs in excess of €10 million.
- Engineered Materials
  - Closure of a functional paper and films plant in the US. Restructuring and closure costs of €5 million and related impairment of assets of €9 million were recognised.
  - Restructuring of a personal care components focused operations in Gronau (Germany). Restructuring costs of €17 million and related impairment of assets of €18 million were recognised. Further detail is provided in note 1.

The operating special items resulted in a cash outflow of €28 million for the year ended 31 December 2020 (2019: €22 million).

5 Write-down of inventories to net realisable value

€ million	2020	2019
Write-down of inventories to net realisable value	(41)	(37)
Aggregate reversal of previous write-downs of inventories	23	21

6 Net finance costs

€ million	2020	2019
Investment income		
Investment income	**5**	**8**
Net foreign currency losses		
Net foreign currency losses	**—**	**(3)**
Finance costs		
Interest expense		
Interest on bank overdrafts and loans	(83)	(90)
Interest on lease liabilities	(12)	(13)
Net interest expense on net retirement benefits liability	(6)	(9)
Total interest expense	**(101)**	**(112)**
Less: Interest capitalised	1	3
Total finance costs	**(100)**	**(109)**
Net finance costs before special item	**(95)**	**(104)**
Financing special item		
Simplification of corporate structure	—	(14)
Net finance costs after special item	**(95)**	**(118)**

Net interest expense, as defined at the end of this document, for the year was €90 million (2019: €95 million).

7 Taxation

The Group's effective rate of tax before special items for the year ended 31 December 2020 was 22% (2019: 23%).

€ million	2020	2019
UK corporation tax at 19% (2019: 19%)	—	1
Overseas tax	155	218
Current tax in respect of prior years	5	(1)
Current tax	**160**	**218**
Deferred tax in respect of the current year	26	47
Deferred tax in respect of prior years	(6)	(8)
Tax charge before special items	**180**	**257**
Current tax on special items	(5)	(1)
Deferred tax on special items	(7)	1
Tax credit on special items (see note 4)	**(12)**	**—**
Tax charge for the year	**168**	**257**

8 Earnings per share (EPS)

(euro cents)	EPS attributable to shareholders 2020	2019
Basic EPS	120.0	167.6
Diluted EPS	120.0	167.6
Basic underlying EPS	129.3	171.1
Diluted underlying EPS	129.3	171.1
Basic headline EPS	123.9	172.5
Diluted headline EPS	123.9	172.5

The calculation of basic and diluted EPS, basic and diluted underlying EPS and basic and diluted headline EPS is based on the following data:

€ million	Earnings 2020	2019
Profit for the year attributable to shareholders	**582**	**812**
Special items attributable to shareholders (see note 4)	57	17
Related tax (see note 4)	(12)	—
Underlying earnings for the year	**627**	**829**
Special items not excluded from headline earnings	(31)	25
Gain on disposal of property, plant and equipment	(2)	(2)
Net gain on disposal of businesses and equity accounted investees	—	(9)
Impairments not included in special items	—	2
Related tax	7	(9)
Headline earnings for the year	**601**	**836**

million	Weighted average number of shares 2020	2019
Basic number of ordinary shares outstanding	**484.9**	**484.6**
Effect of dilutive potential ordinary shares	—	—
Diluted number of ordinary shares outstanding	**484.9**	**484.6**

9 Dividends

An interim dividend for the year ended 31 December 2020 of 19.00 euro cents per ordinary share and a further interim dividend of 29.75 euro cents per ordinary share relating to 2019 were paid on Tuesday 29 September 2020 to those shareholders on the register of Mondi plc on Friday 21 August 2020.

A proposed final dividend for the year ended 31 December 2020 of 41.00 euro cents per ordinary share will be paid on Thursday 13 May 2021 to those shareholders on the register of Mondi plc on Friday 9 April 2021.

The final dividend proposed has been recommended by the Board and is subject to shareholder approval at the Annual General Meeting scheduled for 6 May 2021.

euro cents per share	2020	2019
Final dividend paid (in respect of prior year)	—	54.55
Interim dividend paid	48.75	27.28
Paid in respect of the prior year	29.75	—
Paid in respect of current year	19.00	27.28
Final dividend proposed for the year ended 31 December	**41.00**	**—**

On 9 April 2020, at the height of the first wave of the COVID-19 pandemic, the Board took the difficult but prudent decision to withdraw the recommendation to pay the 2019 final dividend, with a commitment to re-evaluate later in the year when the impact of the pandemic became clearer. In August 2020, the Board decided to resume the payment of dividends, including the payment of a further interim dividend relating to the 2019 financial year of 29.75 euro cents per share.

9 Dividends (continued)

€ million	2020	2019
Final dividend paid (in respect of prior year)	—	264
Total interim dividend paid	237	132
Paid in respect of the prior year	145	—
Paid in respect of current year	92	132
Total dividends paid	**237**	**396**
Final dividend proposed for the year ended 31 December	**199**	**—**
Declared by Group companies to non-controlling interests	4	3

Dividend timetable

The proposed final dividend for the year ended 31 December 2020 of 41.00 euro cents per share will be paid in accordance with the following timetable:

Last date to trade shares cum-dividend	
JSE Limited	Tuesday 6 April 2021
London Stock Exchange	Wednesday 7 April 2021
Shares commence trading ex-dividend	
JSE Limited	Wednesday 7 April 2021
London Stock Exchange	Thursday 8 April 2021
Record date	Friday 9 April 2021
Last date for receipt of Dividend Reinvestment Plan (DRIP) elections by Central Securities Depository Participants	Thursday 15 April 2021
Last date for DRIP elections to UK Registrar and South African Transfer Secretaries	
South African Register	Friday 16 April 2021
UK Register	Friday 23 April 2021
Payment Date	Thursday 13 May 2021
DRIP purchase settlement dates (subject to market conditions and the purchase of shares in the open market)	
UK Register	Monday 17 May 2021
South African Register	Wednesday 19 May 2021
Currency conversion date	
ZAR/euro	Thursday 25 February 2021
Euro/sterling	Tuesday 29 April 2021

Share certificates on Mondi plc's South African register may not be dematerialised or rematerialised between Wednesday 7 April 2021 and Friday 9 April 2021, both dates inclusive, nor may transfers between the UK and South African registers of Mondi plc take place between Wednesday 31 March 2021 and Friday 9 April 2021, both dates inclusive.

Information relating to the dividend tax to be withheld from Mondi plc shareholders on the South African branch register will be announced separately, together with the ZAR/euro exchange rate to be applied, on or shortly after Thursday 25 February 2021.

10 Forestry assets

€ million	2020	2019
At 1 January	411	340
Investment in forestry assets	43	48
Fair value gains	27	71
Felling costs	(59)	(64)
Currency movements	(50)	16
At 31 December	**372**	**411**
Mature	227	251
Immature	145	160

The fair value of forestry assets is a level 3 measure in terms of the fair value measurement hierarchy (see note 16), consistent with prior years. The fair value of forestry assets is determined using market approach.

11 Borrowings

Group liquidity is provided through a range of committed debt facilities. The principal loan arrangements in place include the following:

€ million	Maturity	Interest rate %	2020	2019
Financing facilities				
Syndicated Revolving Credit Facility	July 2021/2022[1]	EURIBOR/LIBOR + margin	750	750
€500 million Eurobond	September 2020	3.375%	—	500
€500 million Eurobond	April 2024	1.500%	500	500
€600 million Eurobond	April 2026	1.625%	600	600
€750 million Eurobond	April 2028	2.375%	750	—
European Investment Bank Facility	June 2025	EURIBOR + margin	43	52
Export Credit Agency Facility	June 2020	EURIBOR + margin	—	2
Long Term Facility Agreement	December 2026	EURIBOR + margin	70	—
Other	Various	Various	59	72
Total committed facilities			**2,772**	**2,476**
Drawn			(1,903)	(1,816)
Total committed facilities available			**869**	**660**

Note:
1 €75 million of the Syndicated Revolving Credit Facility is due in July 2021

In February 2020 the Group entered into a €250 million debt facility maturing in August 2021, which was subsequently cancelled upon the issuance of a €750 million Eurobond, as described below.

In April 2020 the Group issued a €750 million Eurobond maturing in 2028 at a coupon rate of 2.375% per annum. The Eurobond has been issued under the Group's Guaranteed Euro Medium Term Note Programme. In addition, the Group extended the maturity of €675 million of the €750 million Syndicated Revolving Credit Facility by one year to July 2022.

In September 2020 the Group repaid a €500 million Eurobond on its maturity from available cash.

Mondi currently has investment grade credit ratings from both Moody's Investors Service (Baa1, outlook stable) and Standard & Poor's (BBB+, outlook stable). The Group's net debt to underlying EBITDA is well within the key financial covenant requirement of 3.5 times at 31 December 2020.

	2020			2019		
€ million	Current	Non-current	Total	Current	Non-current	Total
Secured						
Bank loans and overdrafts	2	3	5	—	—	—
Lease liabilities	18	169	187	25	193	218
Total secured	20	172	**192**	25	193	**218**
Unsecured						
Bonds	—	1,838	1,838	500	1,094	1,594
Bank loans and overdrafts	86	39	125	250	204	454
Other loans	22	1	23	5	5	10
Total unsecured	108	1,878	**1,986**	755	1,303	**2,058**
Total borrowings	**128**	**2,050**	**2,178**	**780**	**1,496**	**2,276**
Committed facilities drawn			1,903			1,816
Uncommitted facilities drawn			275			460

12 Retirement benefits

All assumptions related to the Group's defined benefit schemes and post-retirement medical plan liabilities were re-assessed individually for the year ended 31 December 2020. Due to changes in assumptions and exchange rate movements, the net retirement benefits liability decreased by €10 million and the net retirement benefits asset increased by €4 million. The assets backing the defined benefit scheme liabilities reflect their market values as at 31 December 2020. Net remeasurement losses arising from changes in assumptions and return on plan assets amounting to €5 million have been recognised in the condensed consolidated statement of comprehensive income.

13 Consolidated cash flow analysis

(a) Reconciliation of profit before tax to cash generated from operations

€ million	2020	2019
Profit before tax	**770**	**1,103**
Depreciation and amortisation	428	433
Impairment of property, plant and equipment (not included in special items)	—	2
Share-based payments	8	11
Net cash flow effect of current and prior year special items	29	(6)
Net finance costs before special item	95	104
Net loss from equity accounted investees	3	—
Decrease in provisions and net retirement benefits	(9)	(23)
Decrease/(increase) in inventories	68	(1)
Decrease in operating receivables	8	91
Increase/(decrease) in operating payables	49	(55)
Fair value gains on forestry assets	(27)	(71)
Felling costs	59	64
Gain on disposal of property, plant and equipment	(2)	(2)
Net gain from disposal of businesses and equity accounted investees	—	(9)
Other adjustments	6	(6)
Cash generated from operations	**1,485**	**1,635**

(b) Cash and cash equivalents

€ million	2020	2019
Cash and cash equivalents per condensed consolidated statement of financial position	382	74
Bank overdrafts included in short-term borrowings	(34)	(81)
Cash and cash equivalents per condensed consolidated statement of cash flows	**348**	**(7)**

The fair value of cash and cash equivalents approximate their carrying values presented.

The Group operates in certain countries (principally South Africa) where the existence of exchange controls may restrict the use of certain cash balances. These restrictions are not expected to have any material effect on the Group's ability to meet its ongoing obligations.

13 Consolidated cash flow analysis (continued)

(c) Movement in net debt

The Group's net debt position is as follows:

€ million	Cash and cash equivalents	Current financial asset investments	Debt due within one year	Debt due after one year	Debt-related derivative financial instruments	Total net debt
At 1 January 2019	8	1	(224)	(2,002)	(3)	**(2,220)**
Cash flow	(16)	—	43	48	3	**78**
Additions to lease liabilities	—	—	(10)	(48)	—	**(58)**
Disposal of lease liabilities	—	—	2	9	—	**11**
Disposal of businesses	—	—	1	—	—	**1**
Movement in unamortised loan costs	—	—	—	(2)	—	**(2)**
Net movement in derivative financial instruments	—	—	—	—	(6)	**(6)**
Reclassification	—	—	(517)	517	—	**—**
Currency movements	1	—	6	(18)	—	**(11)**
At 31 December 2019	**(7)**	**1**	**(699)**	**(1,496)**	**(6)**	**(2,207)**
Cash flow	375	—	660	(658)	59	**436**
Additions to lease liabilities	—	—	(5)	(17)	—	**(22)**
Disposal of lease liabilities	—	—	1	2	—	**3**
Movement in unamortised loan costs	—	—	—	(2)	—	**(2)**
Net movement in derivative financial instruments	—	—	—	—	(49)	**(49)**
Reclassification	—	—	(71)	71	—	**—**
Currency movements	(20)	—	20	50	—	**50**
At 31 December 2020	**348**	**1**	**(94)**	**(2,050)**	**4**	**(1,791)**

(d) Cash flow generation

€ million	2020	2019
Net increase/(decrease) in cash and cash equivalents	**375**	**(16)**
Investment in property, plant and equipment	630	757
Acquisition of businesses, net of cash and cash equivalents	—	2
Proceeds from the disposal of businesses, net of cash and cash equivalents	—	(20)
Investment in equity accounted investees	—	5
Dividends paid to shareholders	237	396
Net repayment of borrowings	2	91
Proceeds from Eurobonds	(744)	—
Repayment of Eurobonds	500	—
Repayment of other medium and long-term borrowings	86	48
Net repayment of short-term borrowings	136	20
Repayment of lease liabilities	24	23
Cash flow generation	**1,244**	**1,215**

14 Capital commitments

€ million	2020	2019
Contracted for but not provided	291	442
Approved, not yet contracted for	1,402	1,214
Total capital commitments	**1,693**	**1,656**

These capital commitments relate to the following categories of non-current non-financial assets:

€ million	2020	2019
Intangible assets	65	47
Property, plant and equipment	1,628	1,609
Total capital commitments	**1,693**	**1,656**

The expected maturity of these capital commitments is:

€ million	2020	2019
Within one year	644	744
One to two years	520	487
Two to five years	529	425
Total capital commitments	**1,693**	**1,656**

Capital commitments are based on capital projects approved by the end of the financial year and the budget approved by the Board. These capital projects are in line with the Group's strategy to deliver value accretive growth sustainably and focus on driving organic growth, strengthening the Group's cost position, enhancing the Group's product and service offering to customers and improving the Group's environmental footprint. Major capital projects that still require further approval before they commence are not included in the above analysis. The Group's capital commitments are expected to be financed from existing cash resources and borrowing facilities.

15 Contingent liabilities

Contingent liabilities comprise aggregate amounts as at 31 December 2020 of €3 million (2019: €3 million) in respect of loans and guarantees given to banks and other third parties. No acquired contingent liabilities have been recorded in the Group's condensed consolidated statement of financial position for either year presented.

The Group is subject to certain legal proceedings, claims, complaints and investigations arising out of the ordinary course of business. Legal proceedings may include, but are not limited to, alleged breach of contract and alleged breach of environmental, competition, securities and health and safety laws. The Group may not be fully, or partly, insured in respect of such risks. The Group cannot predict the outcome of individual legal actions or claims or complaints or investigations. The Group may settle litigation or regulatory proceedings prior to a final judgment or determination of liability. The Group may do so to avoid the cost, management efforts or negative business, regulatory or reputational consequences of continuing to contest liability, even when it considers it has valid defences to liability. The Group considers that no material loss to the Group is expected to result from these legal proceedings, claims, complaints and investigations. Provision is made for all liabilities that are expected to materialise through legal and tax claims against the Group.

16 Fair value measurement

Assets and liabilities that are measured at fair value, or where the fair value of financial instruments has been disclosed in the notes to the condensed consolidated financial statements, are based on the following fair value measurement hierarchy:

- level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The assets measured at fair value on level 3 of the fair value measurement hierarchy are the Group's forestry assets as set out in note 10.

There have been no transfers of assets or liabilities between levels of the fair value hierarchy during the year.

The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined using generally accepted valuation techniques. These valuation techniques maximise the use of observable market data and rely as little as possible on Group specific estimates.

Specific valuation methodologies used to value financial instruments include:

- the fair values of interest rate swaps and foreign exchange contracts are calculated as the present value of expected future cash flows based on observable yield curves and exchange rates;
- the fair values of the Group's commodity price derivatives are calculated as the present value of expected future cash flows based on observable market data; and
- other techniques, including discounted cash flow analysis, are used to determine the fair values of other financial instruments.

16 Fair value measurement (continued)

Except as detailed below, the carrying values of financial instruments at amortised cost as presented in the condensed consolidated financial statements approximate their fair values.

	Carrying amount		Fair value	
€ million	2020	2019	2020	2019
Financial liabilities				
Borrowings	2,178	2,276	2,361	2,343

17 Related party transactions

The Group and its subsidiaries, in the ordinary course of business, enter into various sale, purchase and service transactions with associated undertakings in which the Group has a material interest. These transactions are under terms that are no less favourable than those arranged with third parties. These transactions, in total, are not considered to be significant.

Transactions between Mondi plc and its subsidiaries, which are related parties, and transactions between its subsidiaries have been eliminated on consolidation. There have been no significant changes to related parties as disclosed in note 28 of the Group's annual financial statements for the year ended 31 December 2019.

18 Events occurring after 31 December 2020

Aside from the final dividend proposed for 2020 (see note 9), there has been the following material reportable event since 31 December 2020:

Mondi agreed to acquire 90.38% of the outstanding shares in Olmuksan International Paper Ambalaj Sanayi ve Ticaret A.Ş (Olmuksan) for a total consideration of €66 million on 5 January 2021, which implies an enterprise value of €88 million on a 100% basis. Olmuksan is a leading and well-established corrugated packaging producer in Turkey, listed on the Istanbul stock exchange. Its network of five plants provides a diverse customer base with high-quality sustainable packaging for food, beverage, agriculture and industrial applications. The transaction remains subject to competition clearance and other closing conditions and is expected to complete in the first half of 2021. Following the completion of the transaction, Mondi will launch a mandatory tender offer to acquire the remaining 9.62% of outstanding shares in Olmuksan held by minority shareholders.

Production statistics

		2020	2019
Containerboard	000 tonnes	2,525	2,524
Kraft paper	000 tonnes	1,145	1,162
Uncoated fine paper	000 tonnes	1,422	1,526
Newsprint	000 tonnes	169	201
Pulp	000 tonnes	4,484	4,387
Internal consumption	000 tonnes	3,767	3,883
Market pulp	000 tonnes	717	504
Corrugated solutions	million m^2	1,771	1,653
Paper bags	million units	5,435	5,228
Consumer flexibles	million m^2	2,472	2,457
Engineered materials	million m^2	5,068	5,506

Exchange rates

	Average		Closing	
versus euro	2020	2019	2020	2019
South African rand	18.77	16.18	18.02	15.78
Czech koruna	26.46	25.67	26.24	25.41
Polish zloty	4.44	4.30	4.56	4.26
Pound sterling	0.89	0.88	0.90	0.85
Russian rouble	82.72	72.45	91.47	69.96
Turkish lira	8.05	6.36	9.11	6.68
US dollar	1.14	1.12	1.23	1.12

Alternative Performance Measures

The Group presents certain measures of financial performance, position or cash flows in the condensed consolidated financial statements that are not defined or specified according to IFRS in order to provide additional performance-related measures to its stakeholders. These measures, referred to as Alternative Performance Measures (APMs), are prepared on a consistent basis for all periods presented in this report.

By their nature, the APMs used by the Group are not necessarily uniformly applied by peer companies and therefore may not be comparable with similarly defined measures and disclosures applied by other companies. Such measures should not be viewed in isolation or as a substitute to the equivalent IFRS measure.

Internally, the Group and its operating segments apply the same APMs in a consistent manner in planning and reporting on performance to management and the Board. Two of the Group's APMs (underlying EBITDA and ROCE) form part of the executive directors and senior management remuneration targets. The Group has not adjusted its APMs for the impact of the COVID-19 pandemic.

The most significant APMs used by the Group are described below, together with a reconciliation to the equivalent IFRS measure. The reconciliations are based on Group figures. The reporting segment equivalent APMs are measured in a consistent manner.

APM description and purpose	Financial statement reference	Closest IFRS equivalent measure
Special items		
Special items are generally material, non-recurring items that exceed €10 million. The Group separately discloses special items on the face of the condensed consolidated income statement to assist its stakeholders in understanding the underlying financial performance achieved by the Group on a basis that is comparable from year to year. Subsequent adjustments to items previously recognised as special items continue to be reflected as special items in future periods even if they do not exceed the quantitative reporting threshold.	Note 4	None
Underlying EBITDA		
Operating profit before special items, depreciation, amortisation and impairments not recorded as special items provides a measure of the cash generating ability of the business that is comparable from year to year.	Condensed consolidated income statement	Operating profit
Underlying EBITDA margin		
Underlying EBITDA expressed as a percentage of Group revenue (segment revenue for operating segments) provides a measure of the cash generating ability relative to revenue.		None

APM calculation:

€ million, unless otherwise stated	2020	2019
Underlying EBITDA (see condensed consolidated income statement)	1,353	1,658
Group revenue (see condensed consolidated income statement)	6,663	7,268
Underlying EBITDA margin (%)	**20.3**	**22.8**

APM description and purpose	Financial statement reference	Closest IFRS equivalent measure
Underlying operating profit		
Operating profit before special items provides a measure of operating performance that is comparable from year to year.	Condensed consolidated income statement	Operating profit
Underlying operating profit margin		
Underlying operating profit expressed as a percentage of Group revenue (segment revenue for operating segments) provides a measure of the profitability of the operations relative to revenue.		None

APM calculation:

€ million, unless otherwise stated	2020	2019
Underlying operating profit (see condensed consolidated income statement)	925	1,223
Group revenue (see condensed consolidated income statement)	6,663	7,268
Underlying operating profit margin (%)	**13.9**	**16.8**

APM description and purpose	Financial statement reference	Closest IFRS equivalent measure
Net interest expense		
Net interest expense comprises interest expense on bank overdrafts, loans and lease liabilities net of investment income. Net interest expense provides an absolute measure of the net cost of borrowings.		None

APM calculation:

€ million	2020	2019
Investment income (see note 6)	5	8
Interest on bank overdrafts and loans (see note 6)	(83)	(90)
Interest on lease liabilities (see note 6)	(12)	(13)
Net interest expense	**(90)**	**(95)**

APM description and purpose	Financial statement reference	Closest IFRS equivalent measure
Effective interest rate		
Trailing 12-month net interest expense expressed as a percentage of trailing 12-month average monthly net debt over the period. Effective interest rate provides a measure of the net cost of borrowings.		None

APM calculation:

€ million, unless otherwise stated	2020	2019
Net interest expense (see above)	90	95
Trailing 12-month average net debt	2,012	2,243
Effective interest rate (%)	**4.5**	**4.2**

APM description and purpose	Financial statement reference	Closest IFRS equivalent measure
Underlying profit before tax		
Profit before tax and special items. Underlying profit before tax provides a measure of the Group's profitability before tax that is comparable from year to year.	Condensed consolidated income statement	Profit before tax
Effective tax rate		
Underlying tax charge expressed as a percentage of underlying profit before tax. A measure of the Group's tax charge relative to its profit before tax expressed on an underlying basis.		None

APM calculation:

€ million, unless otherwise stated	2020	2019
Tax charge before special items (see note 7)	180	257
Underlying profit before tax (see condensed consolidated income statement)	827	1,119
Effective tax rate (%)	**22**	**23**

APM description and purpose	Financial statement reference	Closest IFRS equivalent measure
Underlying earnings (and per share measure)		
Net profit after tax attributable to shareholders, before special items. Underlying earnings (and the related per share measure based on the basic, weighted average number of ordinary shares outstanding), provides a measure of the Group's earnings that is comparable from year to year.	Note 8	Profit for the period attributable to shareholders (and per share measure)
Headline earnings (and per share measure)		
The presentation of headline earnings (and the related per share measure based on the basic, weighted average number of ordinary shares outstanding) is mandated under the Listings Requirements of the JSE Limited and is calculated in accordance with Circular 1/2019, 'Headline Earnings', as issued by the South African Institute of Chartered Accountants.	Note 8	Profit for the period attributable to shareholders (and per share measure)

APM description and purpose	Financial statement reference	Closest IFRS equivalent measure
Dividend cover		
Basic underlying EPS divided by total ordinary dividend per share paid and proposed provides a measure of the Group's earnings relative to ordinary dividend payments.		None

APM calculation:

euro cents, unless otherwise stated	2020	2019[1]
Basic underlying EPS (see note 8)	129.3	171.1
Total ordinary dividend per share (see note 9)	60.00	57.03
Dividend cover (times)	**2.2**	**3.0**

Note:
1 The 2019 dividend per share comprises an interim dividend of 27.28 euro cents and a further interim dividend of 29.75 euro cents paid in 2020 relating to the 2019 financial year

Capital employed (and related trailing 12-month average capital employed)		
Capital employed comprises total equity and net debt. Trailing 12-month average capital employed is the average monthly capital employed over the last 12 months adjusted for spend on major capital expenditure projects which are not yet in production. These measures provide the level of invested capital in the business. Trailing 12-month average capital employed is used in the calculation of return on capital employed.	Note 3	Total equity
Return on capital employed (ROCE)		
Trailing 12-month underlying operating profit, including share of equity accounted investees' net profit/(loss), divided by trailing 12-month average capital employed. ROCE provides a measure of the efficient and effective use of capital in the business.		None

APM calculation:

€ million, unless otherwise stated	2020	2019
Trailing 12-month underlying operating profit (see condensed consolidated income statement)	925	1,223
Trailing 12-month underlying net profit from equity accounted investees (see condensed consolidated income statement)	(3)	—
Trailing 12-month underlying profit from operations and equity accounted investees	922	1,223
Trailing 12-month average capital employed (see note 3)	6,075	6,162
ROCE (%)	**15.2**	**19.8**

Net debt		
A measure comprising short, medium, and long-term interest-bearing borrowings and the fair value of debt-related derivatives less cash and cash equivalents, net of overdrafts, and current financial asset investments. Net debt provides a measure of the Group's net indebtedness or overall leverage.	Note 13c	None
Net debt to underlying EBITDA		
Net debt divided by trailing 12-month underlying EBITDA. A measure of the Group's net indebtedness relative to its cash-generating ability.		None

APM calculation:

€ million, unless otherwise stated	2020	2019
Net debt (see note 13c)	1,791	2,207
Trailing 12-month underlying EBITDA (see condensed consolidated income statement)	1,353	1,658
Net debt to underlying EBITDA (times)	**1.3**	**1.3**

Operating segment assets and operating segment net assets		
Operating segment assets and operating segment net assets comprise total assets (excluding financial instruments) and capital employed respectively but exclude investments in equity accounted investees, deferred tax assets and liabilities and other non-operating assets and liabilities. Operating segment assets and operating segment net assets provide a measure of the assets and net assets required in the daily operation of the business.	Note 3	Total assets Net assets

APM description and purpose	Financial statement reference	Closest IFRS equivalent measure
Working capital as a percentage of revenue		
Working capital, defined as the sum of trade and other receivables and inventories less trade and other payables, expressed as a percentage of annualised Group revenue, which is calculated based on an extrapolation of average monthly year-to-date revenue. A measure of the Group's effective use of working capital relative to revenue.		None

APM calculation:

€ million, unless otherwise stated	2020	2019
Inventories (see condensed consolidated statement of financial position)	849	984
Trade and other receivables (see condensed consolidated statement of financial position)	1,006	1,111
Trade and other payables (see condensed consolidated statement of financial position)	(1,116)	(1,143)
Working capital	739	952
Group revenue (see condensed consolidated income statement)	6,663	7,268
Working capital as a percentage of revenue	**11.1**	**13.1**

Gearing		
Net debt expressed as a percentage of capital employed provides a measure of the financial leverage of the Group.		None

APM calculation:

€ million, unless otherwise stated	2020	2019
Net debt (see note 13c)	1,791	2,207
Capital employed (see note 3)	6,173	6,592
Gearing (%)	**29.0**	**33.5**

Cash flow generation		
A measure of the Group's cash generation before considering deployment of cash towards investment in property, plant and equipment ('capex' or 'capital expenditure'), acquisitions and disposals of businesses, investment in equity accounted investees, payment of dividends to shareholders and proceeds from and repayment of borrowings. Cash flow generation is a measure of the Group's ability to generate cash through-the-cycle before considering deployment of such cash.	Note 13d	Net increase/ (decrease) in cash and cash equivalents

Forward-looking statements

This document includes forward-looking statements. All statements other than statements of historical facts included herein, including, without limitation, those regarding Mondi's financial position, business strategy, market growth and developments, expectations of growth and profitability and plans and objectives of management for future operations, are forward-looking statements. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believe", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned" or "anticipates" or the negative thereof, other variations thereon or comparable terminology. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Mondi, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements and other statements contained in this document regarding matters that are not historical facts involve predictions and are based on numerous assumptions regarding Mondi's present and future business strategies and the environment in which Mondi will operate in the future. These forward-looking statements speak only as of the date on which they are made.

No assurance can be given that such future results will be achieved; various factors could cause actual future results, performance or events to differ materially from those described in these statements. Such factors include in particular but without any limitation: (1) operating factors, such as continued success of manufacturing activities and the achievement of efficiencies therein, continued success of product development plans and targets, changes in the degree of protection created by Mondi's patents and other intellectual property rights and the availability of capital on acceptable terms; (2) industry conditions, such as strength of product demand, intensity of competition, prevailing and future global market prices for Mondi's products and raw materials and the pricing pressures thereto, financial condition of the customers, suppliers and the competitors of Mondi and potential introduction of competing products and technologies by competitors; and (3) general economic conditions, such as rates of economic growth in Mondi's principal geographical markets or fluctuations of exchange rates and interest rates.

Mondi expressly disclaims a) any warranty or liability as to accuracy or completeness of the information provided herein; and b) any obligation or undertaking to review or confirm analysts' expectations or estimates or to update any forward-looking statements to reflect any change in Mondi's expectations or any events that occur or circumstances that arise after the date of making any forward-looking statements, unless required to do so by applicable law or any regulatory body applicable to Mondi, including the JSE Limited and the LSE. Any reference to future financial performance included in this announcement has not been reviewed or reported on by the Group's auditors.

Editors' notes

Mondi is a global leader in packaging and paper, contributing to a better world by making innovative packaging and paper solutions that are sustainable by design. Our business is integrated across the value chain – from managing forests and producing pulp, paper and plastic films, to developing and manufacturing effective industrial and consumer packaging solutions. Sustainability is at the centre of our strategy and intrinsic in the way we do business. We lead the industry with our customer-centric approach, EcoSolutions, where we ask the right questions to find the most sustainable solution. In 2020, Mondi had revenues of €6.66 billion and underlying EBITDA of €1.35 billion.

Mondi has a premium listing on the London Stock Exchange (MNDI), and a secondary listing on the JSE Limited (MNP). Mondi is a FTSE 100 constituent, and has been included in the FTSE4Good Index Series since 2008 and the FTSE/JSE Responsible Investment Index Series since 2007.

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