

**Mondi Limited**

(Incorporated in the Republic of South Africa)

(Registration number: 1967/013038/06)

JSE share code: MND      ISIN: ZAE000156550

**Mondi plc**

(Incorporated in England and Wales)

(Registered number: 6209386)

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As part of the dual listed company structure, Mondi Limited and Mondi plc (together 'Mondi Group') notify both the JSE Limited and the London Stock Exchange of matters required to be disclosed under the Listings Requirements of the JSE Limited and/or the Disclosure Guidance and Transparency and Listing Rules of the United Kingdom Listing Authority.

This announcement contains inside information.

# Full year results for the year ended 31 December 2017

## Highlights

- **Robust financial performance**
  - Revenue of €7,096 million, up 7%
  - Underlying EBITDA of €1,444 million, up 6%
  - Underlying operating profit of €1,018 million, up 4%
  - Underlying basic earnings of 149.5 euro cents per share, up 8%
  - Profit before tax of €887 million, up 5%
- **Over €750 million of approved major capital expenditure projects in progress, securing a strong growth pipeline**
- **Acquisitions totalling over €400 million completed or announced, expanding the Group's product offering to better serve our customers**
- **Delivered against our 2020 Growing Responsibly model commitments and renewed our WWF partnership**
- **Recommended full year ordinary dividend of 62.0 euro cents per share, up 9%**
- **In addition, recommended special dividend of 100.0 euro cents per share**

## Financial Summary

€ million, except for percentages and per share measures	Year ended 31 December 2017	Year ended 31 December 2016	Change %	Six months ended 31 December 2017	Six months ended 31 December 2016	Change %
Group revenue	<b>7,096</b>	6,662	7	<b>3,514</b>	3,350	5
Underlying EBITDA <sup>1</sup>	<b>1,444</b>	1,366	6	<b>734</b>	652	13
Underlying operating profit <sup>1</sup>	<b>1,018</b>	981	4	<b>521</b>	452	15
Operating profit	<b>957</b>	943	1	<b>455</b>	414	10
Profit before tax	<b>887</b>	843	5	<b>425</b>	361	18
<b>Per share measures</b>						
Basic underlying earnings per share <sup>1</sup> (euro cents)	<b>149.5</b>	137.8	8			
Basic earnings per share (euro cents)	<b>138.6</b>	131.8	5			
Total ordinary dividend per share (euro cents)	<b>62.0</b>	57.0	9			
Special dividend per share (euro cents)	<b>100.0</b>	—				
Cash generated from operations	<b>1,325</b>	1,401	(5)			
Net debt	<b>1,326</b>	1,383				
Group return on capital employed (ROCE) <sup>2</sup>	<b>19.7%</b>	20.3%				

### Notes:

<sup>1</sup> The Group presents underlying EBITDA, underlying operating profit and related per share information as non-IFRS measures which exclude special items in order to provide a more effective comparison of the underlying financial performance of the Group and its operating segments between financial reporting periods. This is consistent with the way financial performance is measured by management and reported to the Boards and the DLC executive committee. A reconciliation of Group underlying EBITDA and underlying operating profit to profit before tax is provided in note 3 of the condensed combined and consolidated financial statements. Special items are disclosed in note 4 of the condensed combined and consolidated financial statements and defined in the glossary of terms at the end of this announcement

<sup>2</sup> ROCE is underlying operating profit expressed as a percentage of the average capital employed for the year, adjusted for spend on major capital expenditure projects which are not yet in operation. ROCE provides a measure of the efficient and effective use of capital in the business and is monitored by the Boards and the DLC executive committee

## Peter Oswald, Mondi Group Chief Executive Officer, said:

"I am pleased to report another successful year for Mondi, with underlying operating profit up 4% to €1,018 million. We benefited from good demand and higher average selling prices in most of our businesses, while our continuous drive for operational performance improvements mitigated the inflationary pressures on our cost base caused by the general economic recovery.

We continue to make good progress in securing future growth and the ongoing cost competitiveness of our operations through delivery on our capital expenditure programme. Of the two largest projects currently in progress, the €335 million modernisation of our kraft paper facility in Štětí (Czech Republic) remains on track, and work to upgrade the pulp mill at our Ružomberok mill (Slovakia) has commenced, while we await final permits to proceed with our investment in a 300,000 tonne kraft top white machine at the same site. In addition, we are making good progress on smaller expansionary capital expenditure projects at a number of our packaging operations. These projects are expected to contribute to earnings from 2019.

**Supported by ongoing good demand, we have seen strong upward momentum in pricing across our key product segments in Packaging Paper and Fibre Packaging over the course of 2017 and into early 2018. We expect continued, but manageable pressure on the cost base across the Group, a consequence of the turn in the commodity price cycle and the general economic recovery we are seeing in many of the regions in which we operate. The recent US dollar weakness coupled with stronger emerging market currencies, most notably the South African rand, are current headwinds.**

**Our outlook for the business is positive and we remain confident that our consistent and focused strategy, robust business model centred around our cost advantaged assets, and firm focus on driving performance will sustain our track record of delivering value accretive growth. The special dividend of 100.0 euro cents per share recommended by our Boards in addition to the full year ordinary dividend of 62.0 euro cents per share reflects the strength of our financial position and our continued confidence in the Group's cash generating capacity."**

## **Group performance review**

Our strong performance in 2017 builds on our track record of value accretive growth. Our consistent and focused strategy, robust business model, integrated approach to sustainability and firm commitment to drive performance all continue to contribute to our results.

Group revenue of €7,096 million was up 7% on the prior year. Excluding the impact of acquisitions, revenue was up 4% due to higher average selling prices across all our businesses. While volume growth in the paper businesses, Packaging Paper and Uncoated Fine Paper, was limited due to capacity constraints, we saw good growth in Fibre Packaging, most notably in Corrugated Packaging, which achieved like-for-like growth of around 6%. Volumes in Consumer Packaging were impacted by a combination of the ongoing challenging trading conditions and a targeted approach to exiting lower margin business.

Underlying operating profit of €1,018 million was up 4% on the prior year. Higher selling prices and marginally higher volumes more than offset higher operating costs, a lower fair value gain on forestry assets (down €21 million year-on-year), the impact of maintenance shuts (up €20 million year-on-year) and negative currency effects (estimated around €32 million). After taking into consideration the impact of special items of €61 million (2016: €38 million), operating profit of €957 million was up 1% (2016: €943 million).

Packaging Paper benefited from higher average selling prices across all key grades only partly offset by higher costs and negative currency effects. In our Fibre Packaging business, strong volume growth and higher average selling prices were more than offset by higher packaging paper input costs, negative currency translation effects and ongoing restructuring costs related to our initiatives to optimise our Industrial Bags network. We continue to make good progress in Consumer Packaging despite the difficult trading environment, with improved product mix and a positive contribution from acquisitions more than offsetting lower volumes, marginally higher fixed costs and negative currency effects. In Uncoated Fine Paper, higher average selling prices and stable volumes during the period were offset by the lower forestry fair value gain and higher costs.

Our passion for performance will always be central to the way we run our business - from our focus on commercial excellence and lean processes, to rigorous quality management and operational excellence programmes that enhance productivity and efficiency. We invest in our existing operations and, where appropriate, in acquisitions. We aim to acquire businesses that responsibly produce high-quality products with sustainable competitive advantage and the potential to achieve world class operating standards. This enables us to generate synergies through integration, enhance our product and service offering and/or extend our geographic reach to better serve our customers.

In February 2017 we acquired Excelsior Technologies, further supporting the development of Consumer Packaging and in December 2017 we signed an agreement to acquire Powerflute, an integrated pulp and paper mill in Kuopio (Finland) with an annual production capacity of 285,000 tonnes of high-performance semi-chemical fluting for €365 million on a debt and cash-free basis. Powerflute's semi-chemical fluting is sold to a diverse range of customers, primarily for packaging fresh fruit and vegetables, but also other end-uses such as electronics, chemicals and pharmaceuticals. Around half of the company's production is sold in Europe, while the remainder is exported globally. We anticipate completion of this transaction in the first half of 2018, subject to competition clearance and customary closing conditions.

The impact of maintenance shuts on underlying operating profit in 2017 was around €95 million (2016: €75 million), slightly above our previous expectation of €90 million. Based on prevailing market prices, we estimate that the impact of maintenance shuts on underlying operating profit in 2018 will be around €110 million, of which the first half effect is estimated at around €55 million (2017: €40 million). This includes the effects of a prolonged shut at our Richards Bay facility (South Africa) following a technical incident in mid-February, which halted production for three weeks longer than was planned for the annual maintenance shut.

We saw input cost inflation across our businesses as a consequence of a general rise in commodity prices and the economic upturn in many of the markets in which we operate. Wood costs were generally higher in local currency terms in central Europe and Russia, compounded by stronger emerging market currencies when translated into euros. Wood supply was disrupted in northern and central Europe due to wet weather conditions during the fourth quarter of 2017 and into the first quarter of 2018. While the situation is expected to normalise as weather conditions improve, any prolonged disruption is likely to have a negative impact on logistics costs and wood availability in the region in the short term. Average benchmark paper for recycling costs were up around 12% on 2016. Prices increased during the first three quarters of the year on the back of strong demand, but declined sharply during the fourth quarter due to lower demand from China following policy changes affecting paper for recycling imports. Energy input costs were higher than the prior year due to higher average crude oil and gas prices. Polyethylene prices were stable year-on-year, with slightly lower average prices during the second half. Labour costs were higher, particularly in central and eastern Europe, Russia and South Africa. Looking forward, rising commodity input costs, temporary wood supply disruptions in northern and central Europe and the ongoing economic growth and related inflationary pressures in a number of regions in which we operate are expected to continue to put upward pressure on our cost base.

Currency movements had a net negative impact on underlying operating profit. The net positive impact of a stronger rouble on translation of our domestically focused Uncoated Fine Paper business was more than offset by the impact of the stronger South

African rand and various central European currencies on margins from our export oriented businesses in these regions. The weaker US dollar had a net negative impact on our second half results.

Cash generated from operations of €1,325 million (2016: €1,401 million), including the impact of an increase in working capital, reflects the continued strong cash generating capability of the Group. Net debt reduced by €57 million to €1,326 million or 0.9 times net debt to 12-month trailing underlying EBITDA.

Underlying basic earnings of 149.5 euro cents per share were up 8% compared to 2016. After taking the effect of special items into account, basic earnings of 138.6 euro cents per share were up 5% compared to 2016.

Our Boards have recommended payment of a final ordinary dividend of 42.90 euro cents per share, bringing the total ordinary dividend for the year to 62.0 euro cents per share, an increase of 9% on 2016.

Given our strong financial position and confidence in the Group's cash generating capacity, the Boards have recommended a special dividend of 100.0 euro cents per share, in addition to the recommended final ordinary dividend.

## Packaging Paper

€ million	Year ended 31 December 2017	Year ended 31 December 2016	Change %	Six months ended 31 December 2017	Six months ended 31 December 2016	Change %
Segment revenue	<b>2,292</b>	2,103	9	<b>1,151</b>	1,038	11
Underlying EBITDA	<b>629</b>	527	19	<b>333</b>	253	32
Underlying operating profit	<b>482</b>	397	21	<b>257</b>	186	38
Underlying operating profit margin	<b>21.0%</b>	18.9%		<b>22.3%</b>	17.9%	
Special items	<b>3</b>	—		<b>(2)</b>	—	
Capital expenditure	<b>283</b>	175		<b>161</b>	97	
Net segment assets	<b>2,101</b>	1,876				
ROCE	<b>26.3%</b>	23.1%				

Packaging Paper's underlying operating profit was up 21% on the prior year driven by significantly higher average selling prices and sales volume growth in higher value added products, partly offset by higher costs and negative currency effects.

Strong demand, limited industry capacity additions and lower kraftliner imports drove up European containerboard prices over the course of the year, although the magnitude of the increases varied by grade. Average benchmark European prices for unbleached kraftliner were up 13% year-on-year, and up 16% in the second half when compared to the first half of the year, while benchmark recycled containerboard prices were up around 10% over the same period. By contrast, white top kraftliner prices and semi-chemical fluting were up in the range of 2% to 3% year-on-year.

In response to continued strong demand driven by a generally positive economic environment and ongoing growth in e-commerce, price increases in the range of €30 to €50 per tonne were implemented in Europe across all containerboard grades during January and February 2018.

We saw good demand across our kraft paper grades during the year, while sack kraft paper prices were up around 5% to 6% on average year-on-year. Given good demand, particularly in export markets, we implemented sack kraft paper price increases in all markets from the beginning of 2018, resulting in increases in the range of 8% to 9% compared to average 2017 price levels.

Demand across our range of speciality kraft papers was good and prices were, on average, higher than in the prior year.

Input costs were generally higher than the prior year with higher paper for recycling, wood, chemical, energy and transport costs. Cash fixed costs also increased on higher maintenance costs and inflationary cost pressures. As a result of recent capital investments, the depreciation charge was higher than the comparable period.

We completed a project-related shut at our Świecie mill (Poland) and a planned maintenance shut at our Syktyvkar mill (Russia) during the first half of the year. A further planned maintenance shut at Świecie and the majority of our kraft paper mill shuts were completed in the second half. Maintenance shuts are planned at our Syktyvkar and Richards Bay mills for the first half of 2018 while the majority of the remaining shuts are scheduled for the second half of the year, including an extended shut at our Štětí mill as we progress to commission the major capital project at that operation.

## Fibre Packaging

€ million	Year ended 31 December 2017	Year ended 31 December 2016	Change %	Six months ended 31 December 2017	Six months ended 31 December 2016	Change %
Segment revenue	<b>2,055</b>	1,929	7	<b>1,024</b>	961	7
Underlying EBITDA	<b>189</b>	194	(3)	<b>91</b>	100	(9)
Underlying operating profit	<b>111</b>	123	(10)	<b>51</b>	64	(20)
Underlying operating profit margin	<b>5.4%</b>	6.4%		<b>5.0%</b>	6.7%	
Special items	<b>—</b>	(13)		<b>—</b>	(13)	
Capital expenditure	<b>115</b>	107		<b>68</b>	57	
Net segment assets	<b>1,063</b>	1,006				
ROCE	<b>11.3%</b>	13.5%				

Fibre Packaging's underlying operating profit was down 10% on the prior year to €111 million. Strong volume growth, higher average selling prices and the positive impact from our 2016 acquisitions in Corrugated Packaging were more than offset by higher packaging paper input costs, negative currency translation effects and restructuring costs related to our initiatives to optimise our Industrial Bags network in Europe and North America.

Corrugated Packaging achieved strong organic volume growth of 6%, driven by good market growth across the central and eastern European region, continued growth in e-commerce activity and a recovery in Turkey. Our recently completed capital investments across our corrugated operations to broaden our capabilities to meet our customers increasingly sophisticated product and service needs were instrumental in achieving this growth. Good progress was made during the year in implementing price increases required to compensate for the significantly higher paper costs. Our efforts in this area are ongoing. We anticipate continued short-term margin pressure, given the normal delay in passing on paper price increases compounded by the containerboard price increases implemented early in 2018.

Industrial Bags sales volumes were up 2% on average, driven by strong growth in eastern Europe, Russia, Africa and South East Asia, partly offset by weaker western European and North American volumes. Price increases were achieved in the early part of the year to compensate for higher paper input costs, although margins came under pressure during the second half as higher paper prices, following mid-year increases, could not be fully passed on to customers given the majority of industrial bag contracts are fixed on an annual basis. Strong cost management and the benefit of recent rationalisation activities resulted in significant fixed cost savings during the period. We continue to work on optimising our production network to serve our customers more efficiently. During the year we closed two plants in Europe and a plant in the US, while continuing to serve our customers from other sites. To further expand our network in the fast growing Middle East region, we signed an agreement to buy a control position in a plant near Cairo in Egypt. The acquisition is expected to complete during the first half of 2018. Annual contracts for 2018 have been finalised, with price increases implemented that largely reflect the full impact on the cost base of the recent paper price increases.

## Consumer Packaging

€ million	Year ended 31 December 2017	Year ended 31 December 2016	Change %	Six months ended 31 December 2017	Six months ended 31 December 2016	Change %
Segment revenue	<b>1,646</b>	1,562	5	<b>807</b>	797	1
Underlying EBITDA	<b>215</b>	198	9	<b>109</b>	98	11
Underlying operating profit	<b>132</b>	121	9	<b>69</b>	57	21
Underlying operating profit margin	<b>8.0%</b>	7.7%		<b>8.6%</b>	7.2%	
Special items	<b>(49)</b>	(19)		<b>(49)</b>	(19)	
Capital expenditure	<b>91</b>	91		<b>55</b>	49	
Net segment assets	<b>1,313</b>	1,270				
ROCE	<b>10.4%</b>	10.5%				

Underlying operating profit increased 9% on the prior year to €132 million, with improved product mix, one-off gains and a positive contribution from acquisitions more than offsetting lower like-for-like sales volumes, higher fixed costs and negative currency effects.

During the year we continued with our initiatives to improve the product mix by focusing on increasing our sales in value-added segments while exiting lower margin business, although this was hindered by declining volumes in personal care components. We also benefited from the successful integration of Kalenobel in Turkey and Uralplastic in Russia, both acquired in July 2016, and Excelsior Technologies in the UK, acquired in early 2017, further supporting the development of this business.

Our focus to drive Consumer Packaging's performance continues in what remains a challenging trading environment. During the year we closed a release liner plant in the US and in the second half we launched a programme to restructure the cost base and align capacity to current market requirements. This included the closure of a plant in Poland, streamlining the UK operations and reducing the fixed cost base across the business. We are also making good progress on our various commercial excellence and innovation initiatives, aimed at improving our product and service offering to our customers.

The environmental impact of Mondi's plastic-based flexible packaging offering is important for us. In line with Mondi's Growing Responsibly model, we have worked on improving our energy efficiency and waste to landfill. We are also working with our

customers to find innovative solutions that improve the sustainability of their products and packaging. Our commitment to work collaboratively with other stakeholders has led us to join the Ellen MacArthur Foundation's New Plastics Economy Initiative this year. This is an ambitious, three-year initiative to mobilise the transition towards a global plastics system, based on circular economy principles.

## Uncoated Fine Paper

€ million	Year ended 31 December 2017	Year ended 31 December 2016	Change %	Six months ended 31 December 2017	Six months ended 31 December 2016	Change %
Segment revenue	1,832	1,720	7	885	867	2
Underlying EBITDA	449	481	(7)	217	218	—
Underlying operating profit	331	375	(12)	159	163	(2)
Underlying operating profit margin	18.1%	21.8%		18.0%	18.8%	
Special items	(15)	(6)		(15)	(6)	
Capital expenditure	122	92		73	48	
Net segment assets	1,446	1,466				
ROCE	27.8%	32.3%				

Our Uncoated Fine Paper business delivered another strong performance, generating underlying operating profit of €331 million and ROCE of 27.8%. Higher average selling prices were achieved across all regions on stable volumes, partly offsetting the negative impact of a lower fair value gain on our forestry assets (down €21 million year-on-year) and higher costs.

We estimate European market demand was flat year-on-year, above our expected long-term trend of 1% to 2% decline per annum. Demand in Russia and South Africa was in line with our long-term estimate of 0% to 1% growth per annum.

Average benchmark European uncoated fine paper selling prices were similar to the prior year and 2% up in the second half of the year compared to the first half following the implementation of price increases during the period. Supported by steady demand, reduced imports, supply disruptions in Europe and cost pressures, a price increase of up to 5% was implemented in January 2018. Uncoated fine paper domestic selling prices were increased in Russia and South Africa towards the end of 2017 to offset domestic inflation. Further price increases have been announced across our range of uncoated fine papers in Europe, Russia and South Africa for implementation from the end of March 2018. Discussions are underway and the actual price increases achieved remain subject to individual negotiations with customers.

Generally rising commodity prices saw an increase in input costs, most notably for wood and energy in Europe and South Africa. Higher maintenance costs, inflationary cost pressures on the cash fixed cost base and a higher depreciation charge were also seen across the business, mitigated by our continued focus on driving operational excellence.

Due to the accelerated rate of local demand decline, we ceased production of newsprint at our Merebank mill (South Africa) at the end of the year. During the third quarter we restarted an idled uncoated fine paper machine at the same site which will produce annually around 70,000 tonnes of uncoated fine paper to serve the local market.

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 and the exchange rate. Moderate increases in export prices, resulted in a fair value gain of €43 million being recognised in the year, €21 million lower than the unusually high gain recognised in the prior year. While difficult to estimate, should the current strength in the South Africa rand prevail, we would expect a significantly lower fair value gain in 2018.

Planned maintenance shuts were completed at Syktyvkar in the first half of the year, and at Ružomberok and Neusiedler (Austria) in the second half of the year. In 2018, our Syktyvkar and Richards Bay shuts are planned for the first half of the year and the remaining shuts are scheduled for the second half.

## Special items

The net special item charge of €61 million before tax (2016: €38 million) comprised the following by business unit:

- Packaging Paper: partial impairment of kraft paper assets in the US of €16 million and partial reversal of the impairment of a kraft paper mill in Bulgaria of €14 million. Release of restructuring and closure provisions of €5 million on finalisation of the sale of a kraft paper mill in Finland.
- Consumer Packaging: restructuring and closure costs of €22 million and related impairment of €28 million as a result of the restructuring of this business. Recognition of a €1 million gain on the release of a restructuring and closure provision following the finalisation of a release liner plant closure in the US.
- Uncoated Fine Paper: restructuring costs of €7 million and related impairment of €8 million following the closure of a newsprint machine at our Merebank mill.

Further detail is provided in note 4 of our condensed combined and consolidated financial statements.

## Tax

Based on our geographic profit mix and the applicable tax rates, we would expect our tax rate to be around 22%. However, we benefited from tax incentives related to our capital investments mainly in Poland and Russia. In addition, we recognised deferred tax assets related to previously unrecognised tax losses which we now expect to be able to utilise in the coming years. As such, our underlying tax charge for 2017 of €181 million (2016: €166 million) reflects an effective tax rate of 19%, consistent with 2016. Tax relief on special items amounted to €8 million (2016: €9 million).

Tax paid in 2017 of €151 million (2016: €173 million) is lower than the 2017 charge due to final tax payments for 2017 becoming payable in 2018.

Going forward, assuming a similar profit mix, we would anticipate upward pressure on the tax rate over the next three years as it moves towards the expected tax rate of 22%.

## Cash flow

Cash generated from operations of €1,325 million (2016: €1,401 million), including the impact of an increase in working capital, reflects the continued strong cash generating capability of the Group.

Working capital as a percentage of revenue was 12.7%, marginally up on the prior year (12.0%). The net cash outflow from movements in working capital during the year was €122 million (2016: inflow of €68 million).

We paid dividends of €273 million to external shareholders (2016: €274 million). Interest paid of €83 million (2016: €82 million) was in line with the prior year.

In 2017, capital expenditure amounted to €611 million (2016: €465 million) and we completed the acquisition of Excelsior Technologies Limited with a total purchase price, on a debt and cash-free basis, of €40 million.

In April 2017, we paid the final coupon and redeemed the 5.75% 2017 €500 million Eurobond on maturity.

## Capital investments

Investing in our cost advantaged asset base to maintain and enhance our competitiveness is of particular importance for our pulp and paper operations where products are generally more standardised and relative cost competitiveness is a key value driver. We focus on enhancing our cost competitiveness, improving energy efficiency, reducing waste and emissions and driving organic growth.

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. Over the last four years, our major capital projects have contributed around €175 million of incremental operating profit, including €25 million in 2017. We expect to generate a further €15 million in 2018.

In the first half of 2017, we commissioned the final phase of our €260 million investment programme in Świecie. This project provides an additional 100,000 tonnes per annum of softwood kraft pulp forward integrated to 80,000 tonnes per annum of light-weight kraftliner and an increased share of kraft top liner. We continue to see progress in ramping up production of the requisite quality at our rebuilt paper and inline coating machine at Štětí although technical challenges remain.

We have a strong major capital expenditure project pipeline totalling over €750 million, securing future growth:

- We are making good progress on the €335 million modernisation of our Štětí mill to replace the recovery boiler, rebuild the fibre lines and debottleneck the existing packaging paper machines. Start-up is anticipated in late 2018. During the year we also completed the €41 million woodyard upgrade and bleaching line modernisation at this mill.
- The European Commission approved €49 million in tax incentives for our €310 million investment in a new 300,000 tonne per annum kraft top white machine and related pulp mill upgrade at our Ružomberok mill. Work on the pulp mill upgrade has commenced, with start-up expected in late 2019. The investment in the paper machine remains subject to obtaining necessary permitting with start-up expected in 2020.
- As part of our plan to maintain Syktyvkar's competitiveness and increase saleable production by around 100,000 tonnes per annum in the medium term, we are investing to debottleneck production and avoid unplanned shutdowns.
- We continue to invest in our Fibre Packaging and Consumer Packaging businesses to enhance our product and service offering.

Our major capital projects in Czech Republic, Slovakia and Russia will increase our current saleable pulp and paper production by around 9% when in full operation.

Given the approved project pipeline and in the absence of any other major investment, our capital expenditure is expected to be in the range of €700-800 million per annum in 2018 and 2019 as expenditure on these large projects accelerates.

## Treasury and borrowings

Net debt at 31 December 2017 was down €57 million at €1,326 million (2016: €1,383 million), reflecting our strong cash generating capacity despite our ongoing capital expenditure programme.

The Group's liquidity position remains robust. At the end of the year, €791 million of our €2.0 billion committed debt facilities remained undrawn. The weighted average maturity of committed debt facilities was 3.8 years at 31 December 2017. Gearing at the same date was 24.7% and our net debt to 12-month trailing underlying EBITDA ratio was 0.9 times, well within our key financial covenant requirement of 3.5 times.

In the second half of the year, Moody's Investors Service upgraded the Group's credit rating from Baa2 to Baa1 (stable outlook). Our BBB credit rating from Standard & Poor's was reaffirmed and put on positive outlook during the year.

Net finance costs of €71 million were €30 million lower than the previous year, primarily due to the repayment in April of the 5.75% 2017 €500 million Eurobond and lower average net debt. Average net debt of €1,376 million was 7% lower than the prior year and our effective interest rate was 4.5% (2016: 6.2%).

## Growing Responsibly

Our people are important to us, and we want to develop a fair, safe and diverse workplace that supports us in delivering our strategy. We want to inspire innovation and creativity in our people, and to ensure that everyone returns home safely to their families every day.

We are deeply saddened to have had two fatalities in 2017 and one employee missing (presumed deceased) in our Syktyvkar operation. In February, a contractor lost his life in our South African forestry operations following a timber vehicle incident; and in August, an employee lost his life at our Tire Box operation (Turkey) during electrical fault finding activities at a bundle-strapping machine. We also regret that we had three life-altering injuries during the year.

With zero harm our ultimate goal, we continue to work very hard to eliminate fatal and life-altering injuries. Our focus on the top fatal risks at all operations has allowed us to better anticipate and manage our highest risk activities - which usually occur during annual maintenance shuts and project implementation. We remain determined to focus on top risks so that fatalities and life-altering injuries are not a part of our future. In 2017, we introduced a new 24-hour mindset approach, designed to help shape a culture where we act safely in everything we do. It is encouraging that the steps we have taken resulted in an improved Total Recordable Case Rate in 2017 to 0.60 from 0.66 in 2016 and a 21% reduction against our 2015 baseline of 0.76 (which has been adjusted to include acquisitions).

We believe that being part of the solution to global sustainability challenges will secure the long-term success of our business and the wellbeing of our communities and other stakeholders. We address the risks and opportunities that arise from global environmental and societal trends, so that we retain our competitive edge and generate value for our stakeholders long into the future.

We have a strong track record of delivering on our sustainability commitments, as reflected in our performance across the 10 action areas of our Growing Responsibly model, which saw excellent improvements in safety, increasing sustainable fibre, and reducing carbon emissions, other air and water emissions, and waste. Built on our past achievements and designed for our future success, our Growing Responsibly model provides the business with a formal structure to demonstrate, monitor and improve the way sustainability is embedded in the business. The model includes 16 commitments to 2020 (the climate commitment runs to 2030) across 10 action areas.

In addition to committing to clear sustainability targets, we also believe that working collaboratively with stakeholders across the entire value chain is key to ensuring long-term value creation and addressing shared challenges. In 2014, Mondi entered into a three-year global partnership with WWF, focusing on promoting environmental stewardship in the packaging and paper sector. In 2017, we extended this global partnership by a further three years to 2020. Phase II of the partnership will embed and extend Mondi's stewardship of forests, climate and energy and freshwater.

With the resultant strong focus on a safe, fair and diverse workforce, working towards a more transparent and responsible supply chain, and continued commitment to minimising our climate footprint, we are able to address risks and opportunities across our business. A number of our current and planned capital expenditure projects will contribute to meeting our Growing Responsibly commitments, particularly those relating to greenhouse gas emissions and waste reduction. We are pleased our total specific CO<sub>2</sub>e emissions (in tonnes per tonne of saleable production) have declined to 0.72, a 15% reduction against the 2014 baseline, as we continue to make progress in making our business less carbon intensive. The contribution of biomass-based renewable energy to the total fuel consumption of our mills has increased from 59% in 2014 to 65% in 2017. We have adopted a new science-based greenhouse gas target to reduce our production related total scope 1 and 2 GHG emission intensity to 0.25 tonnes of CO<sub>2</sub>e per tonne of saleable production by 2050 against a 2014 baseline of 0.59.

## Dividend

The boards of Mondi Limited and Mondi plc's aim is to offer shareholders long-term ordinary dividend growth within a targeted dividend cover range of two to three times over the business cycle. Given our strong financial position and the Boards' stated objective to increase distributions to shareholders through the ordinary dividend, the Boards have recommended an increase in the final ordinary dividend to 42.90 euro cents per share (2016: 38.19 euro cents per share). The final ordinary dividend, together with the interim ordinary dividend of 19.10 euro cents per share, paid on 19 September 2017, amount to a total ordinary dividend for the year of 62.0 euro cents per share, an increase of 9% on the 2016 total ordinary dividend of 57.0 euro cents per share.



The Boards regularly review the Group's capital allocation priorities to optimise value accretive growth and long-term returns for shareholders. Our strong cash generation has allowed us to reinvest to grow the business and sustain a cost advantaged position, while supporting growth in the ordinary dividend and deleveraging the balance sheet. As a result, our balance sheet leverage is well within our stated policy of maintaining investment grade credit metrics. Given the confidence in the Group's ongoing cash generating capacity, the Boards have decided to recommend a special dividend of 100.0 euro cents per share in addition to the recommended final ordinary dividend. In coming to this view, the Boards have taken full account of the Group's access to funding and development plans, including ongoing expansionary capital expenditure programmes and the possibility of further small to mid-sized acquisitions over the coming years.

The final ordinary dividend and the special dividend are subject to the approval of the shareholders of Mondi Limited and Mondi plc at the respective Annual General Meetings scheduled for 16 May 2018 and if approved are payable on 25 May 2018 to shareholders on the register on 4 May 2018.

## **Outlook**

Supported by ongoing good demand, we have seen strong upward momentum in pricing across our key product segments in Packaging Paper and Fibre Packaging over the course of 2017 and into early 2018. We expect continued, but manageable pressure on the cost base across the Group, a consequence of the turn in the commodity price cycle and the general economic recovery we are seeing in many of the regions in which we operate. The recent US dollar weakness coupled with stronger emerging market currencies, most notably the South African rand, are current headwinds.

Our outlook for the business is positive and we remain confident that our consistent and focused strategy, robust business model centred around our cost advantaged assets, and firm focus on driving performance will sustain our track record of delivering value accretive growth. The special dividend of 100.0 euro cents per share recommended by our Boards in addition to the full year ordinary dividend of 62.0 euro cents per share reflects the strength of our financial position and our continued confidence in the Group's cash generating capacity.

## **Principal risks and uncertainties**

The Boards are responsible for the effectiveness of the Group's risk management activities and internal control processes. They have put procedures in place for identifying, evaluating, and managing the significant risks that the Group faces. In combination with the audit committee, the Boards have conducted a robust assessment of the principal risks to which Mondi is exposed and they are 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 flexible 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. In considering the ever increasing competition for talent in a number of the markets in which the Group operates, the Boards have included attraction and retention of key skills and talent as a significant risk, as the only change from the prior year.

### **Strategic risks**

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

While there have been no significant changes in our strategic risk exposure during the year, we continue to monitor recent capacity announcements and the developments in the process as the UK seeks to exit the European Union.

The executive committee and Boards monitor our exposure to these risks and evaluate investment decisions against our overall exposures so that our strategic capital investments and acquisitions take advantage of the opportunities arising from our deliberate exposure to such risks.

### **Industry productive capacity**

Plant utilisation levels are the main driver of profitability in paper mills. New capacity additions are usually in large increments which, through their impact on the supply/demand balance, influence market prices. Unless market growth exceeds capacity additions, excess capacity may lead to lower selling prices. In our converting operations investments in newer technology may lower operating costs and provide increased product functionality increasing competition and impacting margins.

We monitor industry developments in terms of changes in capacity and utilisation levels, as well as trends and developments in our own product markets. We routinely review our asset portfolio and capacity utilisation levels to drive performance and safeguard our assets. Our strategic focus on production at low cost and innovation activities to achieve cost advantages and produce higher value added responsibly produced and sustainable products, combined with our focus on growing markets and consistent investment in our operating capacity, ensures that we can remain competitive.

### **Product substitution**

Changing global socio-economic and demographic trends and consumption patterns and increased public awareness of sustainability challenges affect the demand for Mondi's products. Customers' needs and purchasing power are changing in emerging markets. Substitution may be to different products not produced by Mondi or to different solutions meeting the same customer requirement.

Factors that may positively or negatively impact the demand for our products include reduced weight of packaging materials, increased use of recycled materials, electronic substitution of paper products, substitution of plastic packaging, increased demand for high-quality printed material, certified and responsibly produced goods, and specific material qualities.

Our ability to meet changes in consumer demand depends on our capacity to correctly anticipate change and develop new products on a sustainable, competitive and cost-effective basis. Opportunities also exist for us to take market share from substitutes produced by our competitors. Our focus is on products enjoying positive substitution dynamics and growing regional markets as we work with our customers to develop new markets and new products. Our broad range of converting products provides some protection from the effects of substitution between paper and plastic-based packaging products.

### **Fluctuations and variability in selling prices or gross margins**

Our selling prices are determined by changes in capacity and demand for our products, which are, in turn, influenced by macroeconomic conditions, consumer spending preferences, and inventory levels maintained by our customers.

Changes in prices differ between products and geographic regions and the timing and magnitude of such changes have varied significantly over time. Gross margins in our downstream converting operations are impacted by fluctuations in key input costs which cannot be passed on to customers in all cases.

Our strategic focus is on higher growth markets and products where we enjoy a competitive advantage through innovation, proximity or production cost. We continue to invest in our high-quality, cost advantaged asset base to ensure we maintain our competitive cost position and continue to further develop businesses with better long term fundamentals. We are committed to meeting service levels and product quality requirements. Our high levels of vertical integration reduce our exposure to price volatility of our key input costs. In our downstream operations the focus is on passing through our main material costs to sales prices. Our financial policies and structures take the inherent price volatility of the markets in which we operate into consideration.

### **Country risk**

We have production operations across more than 30 countries; some in jurisdictions where the political, economic and legal systems are less predictable than in countries with more developed institutional structures. Political or economic upheaval, inflation, changes in laws, nationalisation, or expropriation of assets may have a material effect on our operations in those countries. Uncertainties remain over the outcomes of the UK's decision to exit from the European Union.

We actively monitor all countries and environments in which we operate. Regular formal and informal interaction with government officials, local communities and business partners assist us to remain abreast of changes and new developments. The Boards have approved specific country risk premiums to be added to the required returns on investment projects in those countries where risks are deemed to be higher and new investments are subject to rigorous strategic and commercial evaluation.

Where we have large operations in higher risk locations, we maintain a permanent internal audit presence and operate asset protection units. We are in the process of reviewing how we assess, monitor and manage risks in our supply chain, including the use of country-based risk assessment tools and databases. Our geographic diversity and decentralised management structure, utilising local resources in countries in which we operate, reduces our exposure to any specific jurisdiction.

### **Financial risks**

We aim to maintain an appropriate capital structure and to conservatively 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 conservative approach to financial risk management.

### **Capital structure**

A strong and stable financial position increases our flexibility and provides us with the ability to take advantage of strategic opportunities as they arise. Our ability to raise debt and/or equity financing is significantly influenced by general economic conditions, developments in credit markets, equity market volatility, and our credit rating. Failure to obtain financing at reasonable rates could prevent us from realising our strategy and have a negative impact on our competitive position.

We operate a central treasury function under a board-approved treasury policy. We provide regular reporting to the Boards on our treasury management policies. Compliance with treasury policies at operating level is monitored by our central treasury function and we engage external advisors to review our central treasury function. We aim to maintain an investment grade credit rating and we have access to a variety of sources of funding with varying maturities.

### **Currency risk**

We operate in more than 30 countries and are thus exposed to the effect of changes in foreign currency rates. The impact of currency fluctuations affects us because of mismatches between the currencies in which our operating costs are incurred and those in which revenues are received.

Key operating cost currencies that are not fully offset by local currency denominated revenues include the South African rand, Polish zloty, Swedish krona, and Czech koruna; while the revenues generated in US dollar, Russian rouble and UK pound sterling are greater than operating costs incurred in those currencies. In addition, appreciation of the euro compared with the currencies of the other key paper producing regions or paper pricing currencies, notably the US dollar, would reduce the competitiveness of the products Mondi produces in Europe compared with imports from such key paper-producing regions which could potentially lead to lower revenues and earnings.

We fund our entities in their local currencies to minimise translation risk. This exposes us to interest rate risk from these currencies which we aim to manage through interest rate swaps and fixed rate borrowings. Balance sheet exposure and material forecast future capital expenditure transactions are hedged. We do not permit speculative currency positions. We do not hedge our exposure to projected future sales or purchases and our businesses respond to currency fluctuations through changes in

selling prices or increasing the level of exports where competitiveness improves as currencies weaken. Our strategic focus on sustainable value and driving performance along the value chain provides inherent cost advantages, protecting us from adverse currency fluctuations.

### **Tax risk**

We operate in a number of countries - all with different tax systems. We make significant intragroup charges, the basis for which is subject to review during tax audits. In addition, the international tax environment is becoming more onerous, requiring increasing transparency and reporting and in-depth scrutiny of the tax affairs of multinational companies.

The Boards have approved the Group's Tax Policy. We aim to manage our affairs conservatively and our operations are structured tax efficiently to take advantage of available incentives and exemptions. We have dedicated tax resources throughout the Group supported by a centralised Group tax team. We obtain external advisory opinions for all major tax projects, such as acquisitions and restructuring activities, and make use of external benchmarks where possible. Arm's length principles are applied in the pricing of all intragroup transactions in accordance with Organisation for Economic Cooperation and Development guidelines.

### **Operational risks**

A low residual risk tolerance is demonstrated through our focus on operational excellence, investment in our people and commitment 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.

### **Cost and availability of raw materials**

Access to sustainable sources of raw materials is essential to our operations. We have access to our own sources of wood in Russia and South Africa and we purchase wood, paper for recycling, pulp, and polymers for film production to meet our needs in the balance of our operations. Wood prices and availability may be adversely affected by reduced quantities of available wood supply that meet our standards for chain-of-custody certified or controlled wood, and initiatives to promote the use of wood as a renewable energy source.

We are committed to acquiring our raw materials from sustainable, responsible sources and avoiding the use of any controversial or illegal supply. We are involved in multi-stakeholder processes to address challenges in meeting the global demand for sustainable, responsible fibre and we encourage legislation supporting the local collection of recycled materials. The sustainable management of our forestry operations is key in managing our overall environmental impact, helping to protect ecosystems, and developing resilient landscapes. We have built strong forestry management resources in Russia and South Africa to actively monitor and manage our wood resources in those countries. We continue to certify our forests with credible external certifications. We have multiple suppliers for each of our operations and our centralised procurement teams work closely with our operations in actively pursuing longer term agreements with strategic suppliers. We have developed an internal monitoring and risk assessment system to understand and manage the performance of our suppliers and their adherence to our Suppliers' Code of Conduct. We are working to improve our understanding and management of sustainability risks within our supply chain. We support the introduction of legislation to address human rights issues, such as the UK Modern Slavery Act 2015, and are committed to achieving more transparency in the supply chain to address the risks.

### **Energy security and related input costs**

Mondi is a significant consumer of electricity which is generated internally and purchased from external suppliers. Where we do not generate electricity from biomass and by-products of our production processes, we are dependent on external suppliers for raw materials such as gas, oil and coal. Increasing energy costs contribute significantly to increasing chemical, fuel, and transportation costs which are often difficult to pass on to customers. As an energy-intensive business, we face potential physical and regulatory risks related to climate change.

We monitor our electricity usage, carbon emission levels and use of renewable energy. Most of our larger operations have high levels of electricity self-sufficiency. We focus on improving the energy efficiency of our operations by investing in improvements to our energy profile and increased electricity self-sufficiency, while reducing ongoing operating costs and carbon emission levels. Where we generate electricity surplus to our own requirements, we may sell such surplus externally. We also generate income from the sale of green energy credits in certain of our operations at prices determined in the open market. We focus on optimising the use of biomass-based fuels in order to reduce our use of fossil-based energy sources.

### **Technical integrity of our operating assets**

We have five major mills which account for approximately 75% of our total pulp and paper production capacity, and a significant consumer packaging manufacturing facility in Germany. If operations at any of these key facilities are interrupted for any significant length of time, it could have a material adverse effect on our financial position or performance. Accidents or incidents such as fires, explosions, or large machinery breakdowns or the inability of our assets to perform the required function effectively and efficiently whilst protecting people, business, the environment and stakeholders could result in property damage, loss of production, reputational damage, and/or safety incidents.

Our capital investment programme supports the replacement of older equipment to improve both reliability and integrity, and our proactive repair and maintenance strategy is designed to improve production reliability and minimise breakdown risks. We conduct detailed risk assessments of our high-priority equipment and have specific processes and procedures in place for the ongoing management and maintenance of such equipment. We actively monitor all incidents and have a formal process which allows us to share lessons learnt across our operations, identify emerging issues, conduct benchmarking, and evaluate the effectiveness of our risk reduction activities. Our Fire Protection programme is supported by independent loss prevention audits and we take out property insurance cover for key risks.

## **Environmental impact**

We operate in an environmentally high-impact sector and need to manage the associated risks and responsibilities. Our operations are water, carbon and energy intensive; consume materials such as fibre, polymers, metals and chemicals; and generate emissions to air, water and land. We are the custodian of more than two million hectares of forested land. We consider potential impacts on constrained resources, loss of biodiversity and ecosystems negatively impacted by our forestry and manufacturing operations. We are subject to a wide range of international, national and local environmental laws and regulations, as well as the requirements of our customers and expectations of our broader stakeholders. Costs of continuing compliance, potential restoration and clean-up activities, and increasing costs from the effects of emissions have an adverse impact on our profitability. The impacts of climate change such as rising frequency and intensity of water shortages, floods and storms worldwide and pests and diseases also have the potential to impact on our operations and forests.

We ensure that we are complying with all applicable environmental, health and safety requirements where we operate. Our own policies and procedures, at or above local policy requirements, are embedded in all our operations and are supported through the use of externally accredited environmental management systems. We focus on a clean production philosophy to address the impact from emissions, discharge, and waste. We emphasise the responsible management of forests and associated ecosystems and protect high conservation value areas. We ensure that we manage our forests responsibly and implement measures to protect biodiversity. We collaborate with stakeholders to contribute to addressing sustainability challenges such as creating a circular economy for plastics. We undertake compliance assessments in relation to regulatory requirements such as the EU Industry Emissions and Energy Efficiency Directives to determine future investment requirements.

## **Employee and contractor safety**

We operate large facilities, often in remote locations. Accidents/incidents cause injury to our employees or contractors, property damage, lost production time, and/or harm to our reputation. Risks include: fatalities, serious injuries, illness, disease, and substance abuse.

We have a goal of zero harm and aim to continuously advance our 24-hour safety mindset and safety culture. We continually monitor incidents and close calls and actively transfer learnings across our operations. We apply an externally accredited safety management system and conduct regular audits of our operations to ensure our facilities remain fit-for-purpose. We have implemented a project to engineer out the most significant risks in our operations supported by robust controls and procedures for operating those assets. We provide extensive training to ensure that performance standards and practice notes are communicated and understood and our incentives are impacted by the non-achievement of safety milestones.

## **Attraction and retention of key skills and talent**

Our success is driven by our people. Key to our long-term success is attracting, retaining, recruiting and developing a skilled and committed workforce. Access to the right skills, particularly management and technical skills is critical to support the performance and growth of our business. Operations in remote locations make attracting and retaining skilled employees challenging. Losing skills or failing to attract new talent to our business has the potential to undermine our ability to drive performance and deliver on our strategic objectives.

Our culture and values play a key role in empowering and inspiring our people. These are highlighted by various Inspire Programmes and collaboration initiatives throughout our operations. We have a zero tolerance policy towards discrimination and we provide equal opportunities for all employees. To attract skills and talent we are investing in employer branding. We have implemented measures to monitor and manage succession planning, staff turnover, internal placements and training. We are engaged in fair and transparent recruitment practices, and have reviewed and updated our diversity as well as our labour and human rights policies. We ensure competitive compensation levels through benchmarking and continue to support and invest in Group-wide as well as local training programmes. We regularly conduct performance and development reviews at a local level and carry out a Group-wide employee survey approximately every two years. Through a confidential reporting hotline Speakout, employees can raise concerns about conduct that may be contrary to our values.

## **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, underpins our approach.

## **Reputational risk**

Non-compliance with the legal and governance requirements and globally established responsible business conduct in any of the jurisdictions in which we operate and within our supply chain could expose us to significant risk if not actively managed. Failure to successfully manage relationships with our stakeholders could disrupt our operations and adversely impact the Group's reputation. These requirements include laws relating to the environment, exports, price controls, taxation, competition compliance, human rights, and labour. Fines imposed by authorities for non-compliance are severe and, in some cases, legislation can result in criminal sanction for entities and individuals found guilty. Areas of weaker governance also present the challenge of addressing potential human rights issues in our operations and supply chain. The introduction of human rights legislation, such as of the UK Modern Slavery Act 2015 has further highlighted the need to identify and address potential risks of child labour, forced or bonded labour and human trafficking in our supply chain.

We operate a comprehensive training and compliance programme, supported by self-certification and reporting, with personal sanction for failure to comply with Group policies. Our legal and governance compliance is supported by a centralised legal compliance team and is subject to regular internal audit review. We engage with our stakeholders through formal and informal processes such as our Socio-economic Assessment Toolbox (SEAT) and Community Engagement Plans. We have a confidential reporting hotline, Speakout, enabling employees, customers, suppliers, managers and other stakeholders to raise concerns about conduct that may be contrary to our values. We increasingly work with our suppliers to identify and assess risks and promote responsible business conduct in the value chain.

## Information technology risk

Many of our operations are dependent on the availability of IT services and an extended interruption of such services may result in plant shutdown and an inability to meet customer requirements. Cyber crime continues to increase and attempts are increasingly sophisticated, with the consequences of successful attacks including compromised data, financial fraud, and system shutdowns.

We have a comprehensive IT Security Policy approved by our Boards. We conduct regular threat assessments and utilise external providers to evaluate and review our security policies and procedures. Where possible, we have redundancies in place, our system landscape is based on well-proven products, and we have cyber crime insurance. We operate an extensive training and awareness programme for all our users.

## Going concern

The directors have reviewed the Group's budget, considered the assumptions contained in the budget, and reviewed the significant risks which may impact the Group's performance in the near term. These include an evaluation of the current macroeconomic environment and reasonably possible changes in the Group's trading performance.

The Group's financial position, cash flows, liquidity position, and borrowing facilities are described in the annual financial statements. At 31 December 2017, Mondi had €791 million of undrawn, committed debt facilities. The Group's debt facilities have maturity dates of between 1 and 8 years, with a weighted average maturity of 3.8 years.

Based on our evaluation the Boards considered it appropriate to prepare the financial statements on the going concern basis.

Accordingly, the Group continues to adopt the going concern basis in preparing the financial statements.

## Contact details

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## Webcast and conference call dial-in details

Presentation of our results will be at 09.00 (UK) and 11.00 (SA).

The presentation will be available to download from [www.mondigroup.com/investors](http://www.mondigroup.com/investors) an hour before the presentation commences.

An online webcast will be available via [www.mondigroup.com/FYResults17](http://www.mondigroup.com/FYResults17).

Should you have any issues with accessing the webcast, please e-mail [mondi@kraftwerk.co.at](mailto:mondi@kraftwerk.co.at).

The conference call dial-in numbers are:

South Africa	0800 998 654 (toll free)
UK	0800 358 6377 (toll free)
Europe	0800 005 408 (toll free)
Other	+44 330 336 9105

Conference code: 6595078

Should you have any issues on the day with accessing the dial-in conference call, please call +44 330 336 9105.

Questions can be submitted via the webcast or via the dial-in conference call.

A video recording of the presentation will be available on Mondi's website during the afternoon of 2 March 2018.

## Directors' responsibility statement

These financial statements have been prepared under the supervision of the Group Chief Financial Officer, Andrew King CA (SA), and have been audited in accordance with the applicable requirements of the Companies Act of South Africa 2008 and the UK Companies Act 2006.

The responsibility statement has been prepared in connection with the Group's Integrated report and financial statements 2017, extracts of which are included within this announcement.

The directors confirm that to the best of their knowledge:

- the condensed combined and 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 combined and consolidated financial statements of the Group, prepared in accordance with IFRS. (They do not contain sufficient information to comply with IFRS.)
- the Group's combined and consolidated financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, 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 they face;
- the Integrated report and financial statements 2017, 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-yearly results for the six months ended 30 June 2017.

The Group's condensed combined and consolidated financial statements, and related notes, including this responsibility statement, were approved by the Boards and authorised for issue on 1 March 2018 and were signed on their behalf by:

**Peter Oswald**  
Director

**Andrew King**  
Director

## Audited financial information

The condensed combined and consolidated financial statements and notes 1 to 19 for the year ended 31 December 2017 are derived from the Group annual financial statements which have been audited by the Group's auditors, PricewaterhouseCoopers LLP and PricewaterhouseCoopers Inc. Their unmodified audit reports are available for inspection at the Group's registered offices.

## Condensed combined and consolidated income statement

for the year ended 31 December 2017

€ million	Notes	2017			2016		
		Underlying	Special items (Note 4)	Total	Underlying	Special items (Note 4)	Total
<b>Group revenue</b>	3	<b>7,096</b>	<b>—</b>	<b>7,096</b>	<b>6,662</b>	<b>—</b>	<b>6,662</b>
Materials, energy and consumables used		(3,456)	—	(3,456)	(3,249)	—	(3,249)
Variable selling expenses		(525)	—	(525)	(499)	—	(499)
<b>Gross margin</b>		<b>3,115</b>	<b>—</b>	<b>3,115</b>	<b>2,914</b>	<b>—</b>	<b>2,914</b>
Maintenance and other indirect expenses		(319)	—	(319)	(301)	—	(301)
Personnel costs		(1,053)	(9)	(1,062)	(996)	(13)	(1,009)
Other net operating expenses		(299)	(14)	(313)	(251)	(5)	(256)
Depreciation, amortisation and impairments		(426)	(38)	(464)	(385)	(20)	(405)
<b>Operating profit</b>		<b>1,018</b>	<b>(61)</b>	<b>957</b>	<b>981</b>	<b>(38)</b>	<b>943</b>
Net profit from equity accounted investees		1	—	1	1	—	1
<b>Total profit from operations and equity accounted investees</b>		<b>1,019</b>	<b>(61)</b>	<b>958</b>	<b>982</b>	<b>(38)</b>	<b>944</b>
Net finance costs	6	(71)	—	(71)	(101)	—	(101)
<b>Profit before tax</b>		<b>948</b>	<b>(61)</b>	<b>887</b>	<b>881</b>	<b>(38)</b>	<b>843</b>
Tax (charge)/credit	7	(181)	8	(173)	(166)	9	(157)
<b>Profit for the year</b>		<b>767</b>	<b>(53)</b>	<b>714</b>	<b>715</b>	<b>(29)</b>	<b>686</b>
Attributable to:							
Non-controlling interests		43		43	48		48
Shareholders		724		671	667		638
<b>Earnings per share (EPS) attributable to shareholders</b>							
(euro cents)							
Basic EPS	8			<b>138.6</b>			<b>131.8</b>
Diluted EPS	8			<b>138.5</b>			<b>131.7</b>
Basic underlying EPS	8			<b>149.5</b>			<b>137.8</b>
Diluted underlying EPS	8			<b>149.4</b>			<b>137.7</b>
Basic headline EPS	8			<b>146.0</b>			<b>135.9</b>
Diluted headline EPS	8			<b>145.9</b>			<b>135.8</b>

## Condensed combined and consolidated statement of comprehensive income

for the year ended 31 December 2017

€ million	2017			2016		
	Before tax amount	Tax charge	Net of tax amount	Before tax amount	Tax benefit	Net of tax amount
<b>Profit for the year</b>			<b>714</b>			<b>686</b>
<b>Items that have been or may subsequently be reclassified to the condensed combined and consolidated income statement</b>						
Gains on available-for-sale investments	—	—	—	1	—	1
Exchange differences on translation of foreign operations	(73)	—	(73)	150	—	150
Share of other comprehensive expense of equity accounted investees	(2)	—	(2)	—	—	—
<b>Items that will not subsequently be reclassified to the condensed combined and consolidated income statement</b>						
Remeasurements of retirement benefits plans	9	(1)	8	(19)	4	(15)
<b>Other comprehensive (expense)/income for the year</b>	<b>(66)</b>	<b>(1)</b>	<b>(67)</b>	<b>132</b>	<b>4</b>	<b>136</b>
Other comprehensive (expense)/income attributable to:						
Non-controlling interests	(2)	—	(2)	(4)	—	(4)
Shareholders	(64)	(1)	(65)	136	4	140
Total comprehensive income attributable to:						
Non-controlling interests			<b>41</b>			<b>44</b>
Shareholders			<b>606</b>			<b>778</b>
<b>Total comprehensive income for the year</b>			<b>647</b>			<b>822</b>



## Condensed combined and consolidated statement of financial position

as at 31 December 2017

€ million	Notes	2017	2016
Property, plant and equipment		3,962	3,788
Goodwill		698	681
Intangible assets		111	120
Forestry assets	10	325	316
Other non-current assets		58	61
<b>Total non-current assets</b>		<b>5,154</b>	<b>4,966</b>
Inventories		867	850
Trade and other receivables		1,106	1,049
Cash and cash equivalents	14b	38	404
Other current assets		44	41
<b>Total current assets</b>		<b>2,055</b>	<b>2,344</b>
<b>Total assets</b>		<b>7,209</b>	<b>7,310</b>
Short-term borrowings	11	(267)	(651)
Trade and other payables		(1,074)	(1,100)
Other current liabilities		(184)	(167)
<b>Total current liabilities</b>		<b>(1,525)</b>	<b>(1,918)</b>
Medium and long-term borrowings	11	(1,098)	(1,119)
Net retirement benefits liability	12	(232)	(240)
Deferred tax liabilities		(255)	(267)
Other non-current liabilities		(60)	(70)
<b>Total non-current liabilities</b>		<b>(1,645)</b>	<b>(1,696)</b>
<b>Total liabilities</b>		<b>(3,170)</b>	<b>(3,614)</b>
<b>Net assets</b>		<b>4,039</b>	<b>3,696</b>
<b>Equity</b>			
Combined share capital and stated capital		542	542
Retained earnings and other reserves		3,172	2,850
<b>Total attributable to shareholders</b>		<b>3,714</b>	<b>3,392</b>
Non-controlling interests in equity		325	304
<b>Total equity</b>		<b>4,039</b>	<b>3,696</b>

The Group's condensed combined and consolidated financial statements, and related notes 1 to 19, were approved by the Boards and authorised for issue on 1 March 2018 and were signed on their behalf by:

**Peter Oswald**  
Director

**Andrew King**  
Director

Mondi Limited company registration number: 1967/013038/06  
Mondi plc company registered number: 6209386

## Condensed combined and consolidated statement of changes in equity

for the year ended 31 December 2017

€ million	Equity attributable to shareholders	Non-controlling interests	Total equity
At 1 January 2016	2,905	282	<b>3,187</b>
Total comprehensive income for the year	778	44	<b>822</b>
Dividends	(274)	(32)	<b>(306)</b>
Purchases of treasury shares	(20)	—	<b>(20)</b>
Other	3	10	<b>13</b>
At 31 December 2016	3,392	304	<b>3,696</b>
Total comprehensive income for the year	606	41	<b>647</b>
Dividends	(273)	(22)	<b>(295)</b>
Purchases of treasury shares	(24)	—	<b>(24)</b>
Other	13	2	<b>15</b>
<b>At 31 December 2017</b>	<b>3,714</b>	<b>325</b>	<b>4,039</b>

### Equity attributable to shareholders

€ million	2017	2016
Combined share capital and stated capital	542	542
Treasury shares	(27)	(24)
Retained earnings	3,601	3,217
Cumulative translation adjustment reserve	(606)	(536)
Post-retirement benefits reserve	(71)	(75)
Share-based payment reserve	23	22
Cash flow hedge reserve	(1)	(2)
Merger reserve	259	259
Put option liability reserve	(4)	(9)
Other sundry reserves	(2)	(2)
<b>Total</b>	<b>3,714</b>	<b>3,392</b>

## Condensed combined and consolidated statement of cash flows

for the year ended 31 December 2017

€ million	Notes	2017	2016
<b>Cash flows from operating activities</b>			
Cash generated from operations	14a	1,325	1,401
Dividends received from equity accounted investees		—	1
Dividends received from other investments		1	—
Income tax paid		(151)	(173)
<b>Net cash generated from operating activities</b>		<b>1,175</b>	<b>1,229</b>
<b>Cash flows from investing activities</b>			
Investment in property, plant and equipment		(611)	(465)
Investment in intangible assets		(16)	(13)
Investment in forestry assets		(49)	(45)
Acquisition of subsidiaries, net of cash and cash equivalents	13	(37)	(162)
Other investing activities		19	20
<b>Net cash used in investing activities</b>		<b>(694)</b>	<b>(665)</b>
<b>Cash flows from financing activities</b>			
Proceeds from medium and long-term borrowings		25	1
Repayment of medium and long-term borrowings		(11)	(166)
(Repayment of)/proceeds from Eurobonds	14c	(500)	500
Net proceeds from/(repayment of) short-term borrowings	14c	20	(152)
Interest paid		(83)	(82)
Dividends paid to shareholders	9	(273)	(274)
Dividends paid to non-controlling interests		(22)	(33)
Purchases of treasury shares		(24)	(20)
Net cash (outflow)/inflow from held-for-trading derivatives		(47)	4
Other financing activities		(5)	3
<b>Net cash used in financing activities</b>		<b>(920)</b>	<b>(219)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(439)</b>	<b>345</b>
Cash and cash equivalents at beginning of year		377	36
Cash movement in the year	14c	(439)	345
Effects of changes in foreign exchange rates	14c	(4)	(4)
<b>Cash and cash equivalents at end of year</b>	14b	<b>(66)</b>	<b>377</b>

# Notes to the condensed combined and consolidated financial statements for the year ended 31 December 2017

## 1 Basis of preparation

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

The Group's condensed combined and 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 combined and consolidated financial statements of the Group, prepared in accordance with IFRS; the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee; the requirements of the Companies Act of South Africa 2008; Financial Pronouncements as issued by the Financial Reporting Standards Council; and Article 4 of the EU IAS Regulation. They do not contain sufficient information to comply with IFRS.

The condensed combined and consolidated financial statements have been prepared on a going concern basis as discussed in the commentary under the heading 'Going concern'.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2017 or 2016 but is derived from those accounts. Statutory accounts for 2016 have been delivered to the Registrar of Companies, and those for 2017 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the UK Companies Act 2006. Copies of their unqualified auditors' reports on the Integrated report and financial statements 2017 as well as the condensed combined and consolidated financial statements are available for inspection at the Mondi Limited and Mondi plc registered offices.

These condensed combined and consolidated financial statements have been prepared on the historical cost basis, except for the fair valuing of financial instruments and forestry assets.

## 2 Accounting policies

The same accounting policies, methods of computation and presentation have been followed in the preparation of the condensed combined and consolidated financial statements as were applied in the preparation of the Group's annual financial statements for the year ended 31 December 2016, except as follows:

- A number of amendments to IFRS became effective for the financial period beginning on 1 January 2017, but the Group did not have to change its accounting policies or make material retrospective adjustments as a result of adopting these new standards.

## 3 Operating segments

### Identification of the Group's externally reportable operating segments

The Group's operating segments are reported in a manner consistent with the internal reporting provided to the DLC executive committee, the chief operating decision-making body. The operating segments are managed based on the nature of the underlying products produced by those businesses and comprise four distinct segments.

Each of the reportable segments derives its income from the sale of manufactured products.

Effective from 1 October 2017, the Group reorganised its business units to reflect the nature of the underlying products produced. The changes to the Group's business units, and consequently to the Group's segmental reporting, are as follows:

- Uncoated Fine Paper and South Africa, excluding the containerboard operations, were merged into a single business unit;
- the containerboard operations of South Africa were merged into Packaging Paper; and
- there were no changes to the Fibre Packaging or Consumer Packaging business units.

Prior year figures have been restated to reflect the new organisational structure. The reorganisation had no impact on the overall Group result.

### 3 Operating segments (continued)

Year ended 31 December 2017

€ million, unless otherwise stated	Packaging Paper	Fibre Packaging	Consumer Packaging	Uncoated Fine Paper	Corporate	Intersegment elimination	Total
Segment revenue	2,292	2,055	1,646	1,832	—	(729)	<b>7,096</b>
Internal revenue	(642)	(34)	(5)	(48)	—	729	—
External revenue	1,650	2,021	1,641	1,784	—	—	<b>7,096</b>
Underlying EBITDA	629	189	215	449	(38)	—	<b>1,444</b>
Depreciation and impairments	(143)	(72)	(62)	(116)	—	—	<b>(393)</b>
Amortisation	(4)	(6)	(21)	(2)	—	—	<b>(33)</b>
Underlying operating profit/(loss)	482	111	132	331	(38)	—	<b>1,018</b>
Special items	3	—	(49)	(15)	—	—	<b>(61)</b>
Operating segment assets	2,469	1,363	1,539	1,757	15	(187)	<b>6,956</b>
Operating segment net assets	2,101	1,063	1,313	1,446	6	—	<b>5,929</b>
Additions to non-current non-financial assets	316	122	143	180	—	—	<b>761</b>
Capital expenditure cash payments	283	115	91	122	—	—	<b>611</b>
<i>Underlying operating profit margin (%)</i>	<i>21.0</i>	<i>5.4</i>	<i>8.0</i>	<i>18.1</i>	—	—	<b>14.3</b>
<i>Return on capital employed (%)</i>	<i>26.3</i>	<i>11.3</i>	<i>10.4</i>	<i>27.8</i>	—	—	<b>19.7</b>
Average number of employees (thousands) <sup>1</sup>	5.3	8.1	6.0	6.8	0.1	—	<b>26.3</b>

Note:

1 Presented on a full time employee equivalent basis

Year ended 31 December 2016 (restated)

€ million, unless otherwise stated	Packaging Paper	Fibre Packaging	Consumer Packaging	Uncoated Fine Paper	Corporate	Intersegment elimination	Total
Segment revenue	2,103	1,929	1,562	1,720	—	(652)	<b>6,662</b>
Internal revenue	(579)	(32)	(4)	(37)	—	652	—
External revenue	1,524	1,897	1,558	1,683	—	—	<b>6,662</b>
Underlying EBITDA	527	194	198	481	(34)	—	<b>1,366</b>
Depreciation and impairments	(126)	(66)	(59)	(104)	(1)	—	<b>(356)</b>
Amortisation	(4)	(5)	(18)	(2)	—	—	<b>(29)</b>
Underlying operating profit/(loss)	397	123	121	375	(35)	—	<b>981</b>
Special items	—	(13)	(19)	(6)	—	—	<b>(38)</b>
Operating segment assets	2,215	1,315	1,502	1,781	4	(161)	<b>6,656</b>
Operating segment net assets	1,876	1,006	1,270	1,466	—	—	<b>5,618</b>
Additions to non-current non-financial assets	168	161	217	134	—	—	<b>680</b>
Capital expenditure cash payments	175	107	91	92	—	—	<b>465</b>
<i>Underlying operating profit margin (%)</i>	<i>18.9</i>	<i>6.4</i>	<i>7.7</i>	<i>21.8</i>	—	—	<b>14.7</b>
<i>Return on capital employed (%)</i>	<i>23.1</i>	<i>13.5</i>	<i>10.5</i>	<i>32.3</i>	—	—	<b>20.3</b>
Average number of employees (thousands) <sup>1</sup>	5.3	7.7	5.3	7.0	0.1	—	<b>25.4</b>

Note:

1 Presented on a full time employee equivalent basis

### 3 Operating segments (continued)

#### Reconciliation of underlying EBITDA and underlying operating profit to profit before tax

€ million	2017	2016
<b>Underlying EBITDA</b>	<b>1,444</b>	<b>1,366</b>
Depreciation and impairments	(393)	(356)
Amortisation	(33)	(29)
<b>Underlying operating profit</b>	<b>1,018</b>	<b>981</b>
Special items (see note 4)	(61)	(38)
Net profit from equity accounted investees	1	1
Net finance costs	(71)	(101)
<b>Profit before tax</b>	<b>887</b>	<b>843</b>

#### Reconciliation of operating segment assets

€ million	2017		2016	
	Segment assets	Segment net assets	Segment assets	Segment net assets
<b>Group total</b>	<b>6,956</b>	<b>5,929</b>	<b>6,656</b>	<b>5,618</b>
<b>Unallocated</b>				
Investment in equity accounted investees	3	3	9	9
Deferred tax assets/(liabilities)	25	(230)	26	(241)
Other non-operating assets/(liabilities)	178	(337)	209	(307)
<b>Group capital employed</b>	<b>7,162</b>	<b>5,365</b>	<b>6,900</b>	<b>5,079</b>
Financial instruments/(net debt)	47	(1,326)	410	(1,383)
<b>Total assets/equity</b>	<b>7,209</b>	<b>4,039</b>	<b>7,310</b>	<b>3,696</b>

€ million	External revenue by location of production		External revenue by location of customer	
	2017	2016	2017	2016
<b>Revenue</b>				
Africa				
South Africa	617	594	426	407
Rest of Africa	19	13	206	200
Africa total	636	607	632	607
Western Europe				
Austria	1,043	1,018	146	143
Germany	891	897	952	929
United Kingdom	75	33	241	224
Rest of western Europe	532	529	1,340	1,278
Western Europe total	2,541	2,477	2,679	2,574
Emerging Europe				
Poland	992	900	592	546
Rest of emerging Europe	1,348	1,246	954	883
Emerging Europe total	2,340	2,146	1,546	1,429
Russia	907	760	720	602
North America	583	588	747	729
South America	—	—	71	70
Asia and Australia	89	84	701	651
<b>Group total</b>	<b>7,096</b>	<b>6,662</b>	<b>7,096</b>	<b>6,662</b>

## 4 Special items

€ million	2017	2016
<b>Operating special items</b>		
Impairment of assets	(52)	(22)
Reversal of impairment of assets	14	2
Restructuring and closure costs:		
Personnel costs	(9)	(13)
Other restructuring and closure costs	(14)	(5)
<b>Total special items before tax and non-controlling interests</b>	<b>(61)</b>	<b>(38)</b>
Tax credit (see note 7)	8	9
<b>Total special items attributable to shareholders</b>	<b>(53)</b>	<b>(29)</b>

### Operating special items

Restructuring and closure costs and related impairments during the year comprise:

- Packaging Paper
  - Partial impairment of kraft paper assets in the US. Impairment of assets of €16 million was recognised.
  - Release of restructuring and closure provisions of €5 million on finalisation of the sale of a kraft paper mill in Finland. Restructuring and closure costs and related impairment of assets of €14 million were previously recognised in special items in 2015.
  - Partial reversal of impairment of a kraft paper mill in Bulgaria. Reversal of impairment of assets of €14 million was recognised.
- Consumer Packaging
  - Restructuring of consumer packaging operations, including the closure of a plant in Poland, streamlining the UK operations and reducing the fixed cost base across the business. Restructuring costs of €22 million and impairment of assets of €28 million were recognised.
  - Release of restructuring and closure provision of €1 million related to release liner operations in the US. Restructuring and closure costs and related impairment of assets of €19 million were previously recognised in special items in 2016.
- Uncoated Fine Paper
  - Closure of production of newsprint at Merebank mill in South Africa. Restructuring costs of €7 million and impairment of assets of €8 million were recognised.

## 5 Write-down of inventories to net realisable value

€ million	2017	2016
Write-down of inventories to net realisable value	(22)	(29)
Aggregate reversal of previous write-downs of inventories	19	18

## 6 Net finance costs

Net finance costs are presented below:

€ million	2017	2016
<b>Investment income</b>		
Investment income	4	5
<b>Net foreign currency losses</b>		
Net foreign currency losses	(2)	(4)
<b>Finance costs</b>		
Interest expense		
Interest on bank overdrafts and loans	(65)	(97)
Net interest expense on net retirement benefits liability	(9)	(10)
<b>Total interest expense</b>	<b>(74)</b>	<b>(107)</b>
Less: Interest capitalised	1	5
<b>Total finance costs</b>	<b>(73)</b>	<b>(102)</b>
<b>Net finance costs</b>	<b>(71)</b>	<b>(101)</b>

The weighted average interest rate applicable to capitalised interest on general borrowings for the year ended 31 December 2017 was 4.05% (2016: 7.15%) and was related to investments in Poland, the Czech Republic and South Africa (2016: Poland, Russia, the Czech Republic and South Africa).

## 7 Tax charge

The Group's effective rate of tax before special items for the year ended 31 December 2017, calculated on profit before tax before special items and including net profit from equity accounted investees, was 19% (2016: 19%).

€ million	2017	2016
UK corporation tax at 19.25% (2016: 20%)	1	1
SA corporation tax at 28% (2016: 28%)	28	22
Overseas tax	153	134
Current tax in respect of prior years	5	5
<b>Current tax</b>	<b>187</b>	<b>162</b>
Deferred tax in respect of the current year	16	28
Deferred tax in respect of prior years	(23)	(22)
Deferred tax attributable to a change in the rate of domestic income tax	1	(2)
<b>Total tax charge before special items</b>	<b>181</b>	<b>166</b>
Current tax on special items	(2)	(1)
Deferred tax on special items	(6)	(8)
<b>Total tax credit on special items (see note 4)</b>	<b>(8)</b>	<b>(9)</b>
<b>Total tax charge</b>	<b>173</b>	<b>157</b>

## 8 Earnings per share (EPS)

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	
	2017	2016
<b>Profit for the year attributable to shareholders</b>	<b>671</b>	<b>638</b>
Special items (see note 4)	61	38
Related tax (see note 4)	(8)	(9)
<b>Underlying earnings for the year</b>	<b>724</b>	<b>667</b>
Special items not excluded from headline earnings	(23)	(18)
Loss on disposal of property, plant and equipment	1	—
Impairments not included in special items	4	5
Related tax	1	4
<b>Headline earnings for the year</b>	<b>707</b>	<b>658</b>

  

million	Weighted average number of shares	
	2017	2016
<b>Basic number of ordinary shares outstanding</b>	<b>484.3</b>	<b>484.2</b>
Effect of dilutive potential ordinary shares	0.3	0.3
<b>Diluted number of ordinary shares outstanding</b>	<b>484.6</b>	<b>484.5</b>



## 9 Dividends

An interim ordinary dividend for the year ended 31 December 2017 of 299.94850 rand cents/19.10 euro cents per share was paid on 19 September 2017 to all Mondi Limited and Mondi plc ordinary shareholders on the relevant registers on 25 August 2017.

A proposed final ordinary dividend for the year ended 31 December 2017 of 42.90 euro cents per ordinary share will be paid on 25 May 2018 to those shareholders on the register of Mondi plc on 4 May 2018. An equivalent South African rand final ordinary dividend will be paid on 25 May 2018 to shareholders on the register of Mondi Limited on 4 May 2018.

In addition, a proposed special dividend of 100.00 euro cents per ordinary share will be paid on 25 May 2018 to those shareholders on the register of Mondi plc on 4 May 2018. An equivalent South African rand special dividend will be paid on 25 May 2018 to shareholders on the register of Mondi Limited on 4 May 2018. The proposed special dividend has been approved by the Financial Surveillance Department of the South African Reserve Bank.

The final ordinary and special dividends are subject to the approval of the shareholders of Mondi Limited and Mondi plc at the respective annual general meetings scheduled for 16 May 2018.

Dividends paid to the shareholders of Mondi Limited and Mondi plc are presented on a combined basis.

euro cents per share	2017	2016
Final ordinary dividend paid (in respect of prior year)	38.19	37.62
Interim ordinary dividend paid	19.10	18.81
Final ordinary dividend proposed for the year ended 31 December	42.90	38.19
Special dividend proposed for the year ended 31 December	100.00	—
<b>Total final ordinary and special dividends proposed for the year ended 31 December</b>	<b>142.90</b>	<b>38.19</b>
<b>€ million</b>	<b>2017</b>	<b>2016</b>
Final ordinary dividend paid (in respect of prior year)	180	183
Interim ordinary dividend paid	93	91
<b>Total ordinary dividends paid</b>	<b>273</b>	<b>274</b>
Final ordinary dividend proposed for the year ended 31 December	208	185
Special dividend proposed for the year ended 31 December	485	—
<b>Total final ordinary and special dividends proposed for the year ended 31 December</b>	<b>693</b>	<b>185</b>
Declared by Group companies to non-controlling interests	22	32

### Dividend timetable

The proposed final ordinary and special dividends for the year ended 31 December 2017 of 42.90 euro cents per share and 100.00 euro cents per share respectively will be paid in accordance with the following timetable:

	Mondi Limited	Mondi plc
<b>Last date to trade shares cum-dividend</b>		
JSE Limited	30 April 2018	30 April 2018
London Stock Exchange	Not applicable	2 May 2018
<b>Shares commence trading ex-dividend</b>		
JSE Limited	2 May 2018	2 May 2018
London Stock Exchange	Not applicable	3 May 2018
<b>Record date</b>		
JSE Limited	4 May 2018	4 May 2018
London Stock Exchange	Not applicable	4 May 2018
<b>Last date for receipt of Dividend Reinvestment Plan (DRIP) elections by Central Securities Depository Participants</b>	10 May 2018	10 May 2018
<b>Last date for DRIP elections to UK Registrar and South African Transfer Secretaries by shareholders of Mondi Limited and Mondi plc</b>	11 May 2018	4 May 2018*
<b>Payment Date</b>		
South African Register	25 May 2018	25 May 2018
UK Register	Not applicable	25 May 2018
DRIP purchase settlement dates (subject to the purchase of shares in the open market)	31 May 2018	29 May 2018**
<b>Currency conversion date</b>		
ZAR/euro	2 March 2018	2 March 2018
Euro/sterling	Not applicable	8 May 2018

\*11 May 2018 for Mondi plc South African branch register shareholders

\*\*31 May 2018 for Mondi plc South African branch register shareholders

## 9 Dividends (continued)

Share certificates on the South African registers of Mondi Limited and Mondi plc may not be dematerialised or rematerialised between 2 May 2018 and 6 May 2018, both dates inclusive, nor may transfers between the UK and South African registers of Mondi plc take place between 25 April 2018 and 7 May 2018, both dates inclusive.

Information relating to the dividend tax to be withheld from Mondi Limited shareholders and 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 2 March 2018.

## 10 Forestry assets

€ million	2017	2016
At 1 January	316	219
Capitalised expenditure	46	39
Acquisition of assets	3	6
Fair value gains	43	64
Impairment losses recognised	(3)	—
Disposal of assets	—	(1)
Felling costs	(73)	(57)
Currency movements	(7)	46
<b>At 31 December</b>	<b>325</b>	<b>316</b>
<b>Comprising</b>		
Mature	190	193
Immature	135	123
<b>Total forestry assets</b>	<b>325</b>	<b>316</b>

The fair value of forestry assets is a level 3 measure in terms of the fair value measurement hierarchy (see note 17), consistent with prior years. The fair value of forestry assets is determined using a market approach.

## 11 Borrowings

### Financing facilities

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

€ million	Maturity	Interest rate %	2017	2016
<b>Financing facilities</b>				
Syndicated Revolving Credit Facility	July 2021	EURIBOR/LIBOR + margin	750	750
€500 million Eurobond	April 2017	5.75%	—	500
€500 million Eurobond	September 2020	3.375%	500	500
€500 million Eurobond	April 2024	1.50%	500	500
European Investment Bank Facility	June 2025	EURIBOR + margin	71	81
Export Credit Agency Facility	June 2020	EURIBOR + margin	34	53
Other	Various	Various	132	113
<b>Total committed facilities</b>			<b>1,987</b>	<b>2,497</b>
Drawn			(1,196)	(1,685)
<b>Total committed facilities available</b>			<b>791</b>	<b>812</b>

In April 2017 Mondi redeemed a 5.75% €500 million Eurobond on maturity from available cash and committed undrawn debt facilities.

The €500 million Eurobond maturing in 2020 contains a coupon step-up clause whereby the coupon will be increased by 1.25% per annum if the Group fails to maintain at least one investment grade credit rating from either Moody's Investors Service or Standard & Poor's. Mondi currently has investment grade credit ratings from both Moody's Investors Service (Baa1, outlook stable) and Standard & Poor's (BBB, outlook positive).

## 11 Borrowings (continued)

€ million	2017			2016		
	Current	Non-current	Total	Current	Non-current	Total
<b>Secured</b>	1	1	2	1	2	3
<b>Unsecured</b>						
Bonds	—	995	995	500	995	1,495
Bank loans and overdrafts	255	94	349	150	110	260
Other loans	11	8	19	—	12	12
<b>Total unsecured</b>	266	1,097	1,363	650	1,117	1,767
<b>Total borrowings</b>	<b>267</b>	<b>1,098</b>	<b>1,365</b>	<b>651</b>	<b>1,119</b>	<b>1,770</b>

The Group's borrowings as at 31 December are analysed by nature and underlying currency as follows:

2017/€ million	Floating rate borrowings	Fixed rate borrowings	Total carrying value	Fair value
Euro	129	999	1,128	1,184
South African rand	103	—	103	103
Turkish lira	56	—	56	56
US dollar	10	5	15	15
Russian rouble	4	1	5	5
Other currencies	53	5	58	58
<b>Carrying value</b>	<b>355</b>	<b>1,010</b>	<b>1,365</b>	
<b>Fair value</b>	<b>355</b>	<b>1,066</b>		<b>1,421</b>

2016/€ million	Floating rate borrowings	Fixed rate borrowings	Total carrying value	Fair value
Euro	129	1,498	1,627	1,701
South African rand	60	—	60	60
Turkish lira	47	—	47	47
US dollar	6	9	15	15
Russian rouble	9	—	9	9
Other currencies	10	2	12	12
<b>Carrying value</b>	<b>261</b>	<b>1,509</b>	<b>1,770</b>	
<b>Fair value</b>	<b>261</b>	<b>1,583</b>		<b>1,844</b>

The fair values of the €500 million Eurobonds are estimated with reference to the last price quoted in the secondary market. All other financial liabilities are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The Group swaps euro and sterling debt into other currencies through the foreign exchange market using foreign exchange contracts which has the effect of exposing the Group to interest rates of these currencies. The currencies swapped into/(out of) and the amounts as at 31 December were as follows:

€ million	2017	2016
<b>Short-dated contracts with tenures of less than 12 months</b>		
Pounds sterling	7	12
Czech koruna	251	188
Polish zloty	297	317
Russian rouble	(164)	27
Swedish krona	31	39
US dollar	96	119
Other	89	96
<b>Total swapped</b>	<b>607</b>	<b>798</b>

## 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 2017. The net retirement benefit liability decreased by €14 million mainly due to changes in assumptions. The assets backing the defined benefit scheme liabilities reflect their market values as at 31 December 2017. Net remeasurement gains arising from changes in assumptions amounting to €4 million have been recognised in the condensed combined and consolidated statement of comprehensive income.

## 13 Business combinations

### To 31 December 2017

#### Acquisition of Excelsior Technologies Limited

Mondi acquired 100% of the outstanding share capital of Excelsior Technologies Limited (Excelsior) on 3 February 2017 from funds managed by Endless LLP and certain other minority shareholders, for a total consideration of GBP34 million (€40 million) on a debt and cash-free basis. Excelsior is a vertically-integrated producer of innovative flexible packaging solutions, mainly for food applications, with a unique packaging technology for microwave steam cooking. The acquisition of Excelsior supports the development of Mondi's Consumer Packaging business in high growth product applications.

Excelsior's revenue for the year ended 31 December 2017 was €49 million with a loss after tax of €3 million. Excelsior's revenue of €45 million and loss after tax of €3 million since the date of acquisition have been included in the condensed combined and consolidated income statement.

#### Acquisition of Smurfit Kappa Recycling CE, s.r.o.

Mondi acquired 100% (51% effective share) of the outstanding share capital of Smurfit Kappa Recycling CE, s.r.o. (SK Recycling) on 8 March 2017 for a consideration of €1 million on a debt and cash-free basis. SK Recycling operates eight paper recycling sites in Slovakia. The acquisition increases the availability of high quality paper for recycling that is procured by the Group's central and eastern European mills.

SK Recycling's revenue for the year ended 31 December 2017 was €4 million with a nil profit after tax. SK Recycling's revenue of €2 million and nil profit after tax since the date of acquisition have been included in the condensed combined and consolidated income statement.

#### Acquisition of Mondi TSP Co., Ltd.

Mondi acquired the remaining shares of Mondi TSP Co., Ltd. (TSP) that it did not already own (representing an interest of 50%) on 26 July 2017 for a consideration of THB143 million (€4 million) on a debt and cash-free basis. TSP operates a plant near Bangkok, Thailand, and produces consumer goods packaging products with a focus on retort stand-up pouches for the food and pet food industry. The acquisition supports the growth of Mondi's Consumer Packaging business.

TSP's revenue for the year ended 31 December 2017 was €14 million with a nil profit after tax. TSP's revenue of €5 million and nil loss after tax since the date of acquisition have been included in the condensed combined and consolidated income statement.

### 13 Business combinations (continued)

Details of the net assets acquired, as adjusted from book to fair value, are as follows:

€ million	Book value	Revaluation	Fair value
<b>Net assets acquired</b>			
Property, plant and equipment	7	2	9
Intangible assets	—	12	12
Share of joint venture	1	—	1
Inventories	5	2	7
Trade and other receivables	14	(3)	11
Cash and cash equivalents	2	—	2
<b>Total assets</b>	<b>29</b>	<b>13</b>	<b>42</b>
Trade and other payables	(13)	1	(12)
Deferred tax liabilities	—	(3)	(3)
<b>Total liabilities (excluding debt)</b>	<b>(13)</b>	<b>(2)</b>	<b>(15)</b>
Short-term borrowings	(2)	—	(2)
Medium and long-term borrowings	(8)	—	(8)
<b>Debt assumed</b>	<b>(10)</b>	<b>—</b>	<b>(10)</b>
<b>Net assets acquired</b>	<b>6</b>	<b>11</b>	<b>17</b>
Goodwill arising on acquisitions			24
Goodwill arising on purchase price adjustment (Uralplastic)			2
Fair value of joint venture interest previously held			(4)
Cash acquired net of overdrafts			(2)
<b>Net cash paid per condensed combined and consolidated statement of cash flows</b>			<b>37</b>

€ million	Goodwill	Net assets	Net cash paid
Excelsior	21	12	31
SK Recycling	—	1	1
TSP	3	4	3
<b>Acquisitions total</b>	<b>24</b>	<b>17</b>	<b>35</b>
Purchase price adjustment (Uralplastic)	2	—	2
<b>Acquisitions total including adjustments</b>	<b>26</b>	<b>17</b>	<b>37</b>

Transaction costs of €1 million were charged to the condensed combined and consolidated income statement.

The fair value accounting of these acquisitions is provisional in nature. The nature of these businesses is such that further adjustments to the carrying values of acquired assets and/or liabilities, and adjustments to the purchase price, are possible as the detail of the acquired businesses is evaluated post acquisition. If necessary, any adjustments to the fair values recognised will be made within 12 months of the acquisition dates.

In respect of trade and other receivables, the gross contractual amounts receivable less the best estimates at the acquisition dates of the contractual cash flows not expected to be collected approximate the book values and the revaluation amounts respectively as presented.

Goodwill arising on the above business combinations is not tax deductible.

#### Proposed acquisition of Powerflute Group Holdings Oy

In December 2017 Mondi signed an agreement to acquire 100% of the outstanding shares in Powerflute Group Holdings Oy (Powerflute) for a total consideration of €365 million on a debt and cash free-basis.

Powerflute operates an integrated pulp and paper mill in Kuopio (Finland) with an annual production capacity of 285,000 tonnes of high-performance semi-chemical fluting. Powerflute's premium semi-chemical fluting is sold to a diverse range of customers, primarily for packaging fresh fruit and vegetables, but also other end-uses such as electronics, chemicals and pharmaceuticals. The proposed acquisition of Powerflute supports the strategy of investing in high-quality packaging and paper assets and to expand the product range and geographic reach of Mondi's containerboard business.

The transaction remains subject to competition clearance and customary closing conditions and is expected to complete in the first half of 2018.

### 13 Business combinations (continued)

#### Proposed acquisition of Suez Bags Company SAE

In December 2017 Mondi signed an agreement to acquire an additional 57.84% of the outstanding share capital of industrial bags producer Suez Bags Company SAE (Suez Bags) for a total consideration of EGP165 million (€8 million). Mondi currently owns 29.89% of the outstanding share capital of Suez Bags.

Suez Bags operates an industrial bags plant near Cairo in Egypt, serving mostly regional customers. The proposed acquisition complements the existing network of plants in the growing Middle East region, and provides Mondi with a leading position in Egypt.

The transaction is expected to complete in the first half of 2018.

#### To 31 December 2016

Mondi acquired 100% of the outstanding share capital of SIMET S.A. (SIMET) on 27 April 2016 for a consideration of €13 million on a debt and cash-free basis. SIMET is a corrugated plant that produces a wide range of flexo printed packaging.

On 12 July, Mondi acquired a 90% interest in Kale Nobel Ambalaj Sanayi ve Ticaret Anonim Sirketi (Kalenobel) for a consideration of €90 million on a debt and cash-free basis. Kalenobel is a consumer packaging company focused on the manufacture of flexible consumer packaging for ice cream and other applications as well as aseptic cartons.

On 15 July, Mondi acquired a 100% interest in ZAO Uralplastic-N (Uralplastic) for a consideration of RUB2,949 million (€41 million) on a debt and cash-free basis. Uralplastic manufactures a range of consumer flexible packaging products for food, hygiene, homecare and other applications.

On 20 October, Mondi acquired 100% of the outstanding share capital of LLC Beepack (Lebedyan) for a consideration of RUB2,825 million (€41 million) on a debt and cash-free basis. Lebedyan produces a range of corrugated packaging trays and boxes for food and agricultural products including beverages, fruit and vegetables, poultry and dairy.

Details of the net assets acquired are as follows:

€ million	Book value	Revaluation	Fair value
<b>Net assets acquired</b>			
Property, plant and equipment	39	16	55
Intangible assets	5	22	27
Inventories	16	1	17
Trade and other receivables	44	(3)	41
Cash and cash equivalents	2	—	2
<b>Total assets</b>	<b>106</b>	<b>36</b>	<b>142</b>
Trade and other payables	(23)	(2)	(25)
Provisions	—	(1)	(1)
Net retirement benefits liability	—	(2)	(2)
Deferred tax liabilities	—	(7)	(7)
<b>Total liabilities (excluding debt)</b>	<b>(23)</b>	<b>(12)</b>	<b>(35)</b>
Short-term borrowings	(17)	—	(17)
Medium and long-term borrowings	(19)	—	(19)
<b>Debt assumed</b>	<b>(36)</b>	<b>—</b>	<b>(36)</b>
<b>Net assets acquired</b>	<b>47</b>	<b>24</b>	<b>71</b>
Goodwill arising on acquisitions			81
Goodwill arising on purchase price adjustment (KSP)			13
Deferred acquisition consideration (Ascania)			2
Non-controlling interests in equity			(3)
Cash acquired net of overdrafts			(2)
<b>Net cash paid per condensed combined and consolidated statement of cash flows</b>			<b>162</b>

### 13 Business combinations (continued)

€ million	Goodwill	Net assets	Net cash paid
SIMET	4	6	10
Kalenobel	42	31	68
Uralplastic	22	6	28
Lebedyan	13	28	41
<b>Acquisitions total</b>	<b>81</b>	<b>71</b>	<b>147</b>
Purchase price adjustment (KSP)	13	—	13
Deferred acquisition consideration (Ascania)			2
<b>Acquisitions total including adjustments</b>	<b>94</b>	<b>71</b>	<b>162</b>

Transaction costs of €5 million were charged to the condensed combined and consolidated income statement. No adjustments were made in 2016 to the fair values of prior year acquisitions.

### 14 Consolidated cash flow analysis

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

€ million	2017	2016
<b>Profit before tax</b>	<b>887</b>	<b>843</b>
Depreciation and amortisation	422	380
Impairment of property, plant and equipment and intangible assets (not included in special items)	4	5
Share-based payments	15	13
Net cash flow effect of current and prior year special items	40	17
Net finance costs	71	101
Net profit from equity accounted investees	(1)	(1)
Decrease in provisions and net retirement benefits	(16)	(14)
(Increase)/decrease in inventories	(19)	24
Increase in operating receivables	(87)	(1)
(Decrease)/increase in operating payables	(16)	45
Fair value gains on forestry assets	(43)	(64)
Felling costs	73	57
Loss on disposal of property, plant and equipment	1	—
Other adjustments	(6)	(4)
<b>Cash generated from operations</b>	<b>1,325</b>	<b>1,401</b>

#### (b) Cash and cash equivalents

€ million	2017	2016
Cash and cash equivalents per condensed combined and consolidated statement of financial position	38	404
Bank overdrafts included in short-term borrowings	(104)	(27)
<b>Cash and cash equivalents per condensed combined and consolidated statement of cash flows</b>	<b>(66)</b>	<b>377</b>

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.

## 14 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	Total assets	Debt due within one year	Debt due after one year	Debt-related derivative financial instruments	Total debt	Total net debt
At 1 January 2016	36	2	<b>38</b>	(222)	(1,319)	5	<b>(1,536)</b>	<b>(1,498)</b>
Cash flow	345	—	<b>345</b>	152	(335)	—	<b>(183)</b>	<b>162</b>
Acquired through business combinations	—	—	—	(17)	(19)	—	<b>(36)</b>	<b>(36)</b>
Movement in unamortised loan costs	—	—	—	—	(2)	—	<b>(2)</b>	<b>(2)</b>
Net movement in derivative financial instruments	—	—	—	—	—	(23)	<b>(23)</b>	<b>(23)</b>
Reclassification <sup>1</sup>	—	—	—	(541)	547	—	<b>6</b>	<b>6</b>
Currency movements	(4)	—	<b>(4)</b>	4	9	(1)	<b>12</b>	<b>8</b>
At 31 December 2016	377	2	<b>379</b>	(624)	(1,119)	(19)	<b>(1,762)</b>	<b>(1,383)</b>
Cash flow	(439)	(1)	<b>(440)</b>	480	(14)	—	<b>466</b>	<b>26</b>
Acquired through business combinations	—	(1)	<b>(1)</b>	(2)	(8)	—	<b>(10)</b>	<b>(11)</b>
Movement in unamortised loan costs	—	—	—	—	(2)	—	<b>(2)</b>	<b>(2)</b>
Net movement in derivative financial instruments	—	—	—	—	—	20	<b>20</b>	<b>20</b>
Reclassification	—	1	<b>1</b>	(32)	32	—	—	<b>1</b>
Currency movements	(4)	—	<b>(4)</b>	15	13	(1)	<b>27</b>	<b>23</b>
<b>At 31 December 2017</b>	<b>(66)</b>	<b>1</b>	<b>(65)</b>	<b>(163)</b>	<b>(1,098)</b>	<b>—</b>	<b>(1,261)</b>	<b>(1,326)</b>

Note:

- 1 Following the acquisition of the outstanding minority interest in a subsidiary, the shareholder loan previously provided by the minority shareholder was reclassified as an intercompany loan and has been eliminated on consolidation

## 15 Capital commitments

€ million	2017	2016
Contracted for but not provided	393	222
Approved, not yet contracted for	1,545	1,516
<b>Total capital commitments</b>	<b>1,938</b>	<b>1,738</b>

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

€ million	2017	2016
Intangible assets	47	35
Property, plant and equipment	1,891	1,703
<b>Total capital commitments</b>	<b>1,938</b>	<b>1,738</b>

The expected maturity of these capital commitments is:

€ million	2017	2016
Within one year	740	538
One to two years	672	593
Two to five years	526	607
<b>Total capital commitments</b>	<b>1,938</b>	<b>1,738</b>

Capital commitments are based on capital projects approved by the end of the financial year and the budget approved by the Boards. Major capital projects still require further approval before they commence and are not included in the above analysis. The Group's capital commitments are expected to be financed from existing cash resources and borrowing facilities.



## 16 Contingent liabilities

Contingent liabilities comprise aggregate amounts as at 31 December 2017 of €6 million (2016: €11 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 combined and 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 insured fully, or at all, 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.

## 17 Fair value measurement

Financial instruments that are measured in the condensed combined and consolidated statement of financial position at fair value, or where the fair value of financial instruments has been disclosed in the notes to the condensed combined and 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 only 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 and certain assets acquired or liabilities assumed in business combinations.

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 where available 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.

Except as detailed below, the directors consider that the carrying values of financial assets and financial liabilities recorded at amortised cost in the condensed combined and consolidated financial statements are approximately equal to their fair values.

€ million	Carrying amount		Fair value	
	2017	2016	2017	2016
<b>Financial liabilities</b>				
Borrowings	<b>1,365</b>	<b>1,770</b>	<b>1,421</b>	<b>1,844</b>

The non-controlling interest holder in Kalenobel holds an option to put its shares to Mondi until June 2021, but not before March 2018, at a price determined based on future earnings. The present value of the option is €4 million (2016: €9 million) based on the current expected business plan, and is capped at €25 million. Further analysis is not provided as the option is not considered material.

## 18 Related party transactions

The Group and its subsidiaries, in the ordinary course of business, enter into various sale, purchase and service transactions with equity accounted investees and others 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 Limited, Mondi plc and their respective subsidiaries, which are related parties, have been eliminated on consolidation.

There have been no significant changes to the related parties as disclosed in note 31 of the Group's annual financial statements for the year ended 31 December 2016.

## **19 Events occurring after 31 December 2017**

In addition to the final ordinary and special dividends proposed for 2017 (see note 9) there has been the following material reportable event since 31 December 2017:

- A new €600 million one year multicurrency revolving credit facility was signed on 22 February 2018 on normal commercial terms for such a facility. The facility will be used for general corporate purposes.

## Production statistics

			(Restated)	
			2017	2016
<b>Packaging Paper</b>				
Containerboard	'000 tonnes		2,297	2,253
Kraft paper	'000 tonnes		1,206	1,204
Softwood pulp	'000 tonnes		2,010	1,976
Internal consumption	'000 tonnes		1,874	1,804
Market pulp	'000 tonnes		136	172
Hardwood pulp	'000 tonnes		547	500
Internal consumption	'000 tonnes		543	500
Market pulp	'000 tonnes		4	—
<b>Fibre Packaging</b>				
Corrugated board and boxes	million m <sup>2</sup>		1,650	1,448
Industrial bags	million units		4,952	4,881
Extrusion coatings	million m <sup>2</sup>		1,281	1,249
<b>Consumer Packaging</b>				
Consumer packaging	million m <sup>2</sup>		7,437	7,156
<b>Uncoated Fine Paper</b>				
Uncoated fine paper	'000 tonnes		1,644	1,666
Softwood pulp	'000 tonnes		375	375
Internal consumption	'000 tonnes		358	356
Market pulp	'000 tonnes		17	19
Hardwood pulp	'000 tonnes		1,345	1,319
Internal consumption	'000 tonnes		950	963
Market pulp	'000 tonnes		395	356
Newsprint	'000 tonnes		277	313

## Exchange rates

versus euro	Average		Closing	
	2017	2016	2017	2016
South African rand	15.04	16.27	14.81	14.46
Czech koruna	26.33	27.03	25.54	27.02
Polish zloty	4.26	4.36	4.18	4.41
Pounds sterling	0.88	0.82	0.89	0.86
Russian rouble	65.88	74.16	69.39	64.30
Turkish lira	4.12	3.34	4.55	3.71
US dollar	1.13	1.11	1.20	1.05

## Glossary of terms

This announcement contains a number of terms which are explained below:

<b>Net debt</b>	A measure comprising short, medium, and long-term interest-bearing borrowings and the fair value of debt-related derivatives less cash and cash equivalents and current financial asset investments.
<b>Return on capital employed (ROCE)</b>	Trailing 12-month underlying operating profit, including share of equity accounted investees' net profit/(loss), divided by trailing 12-month average capital employed and for segments has been extracted from management reports. Capital employed is adjusted for spend on those strategic projects which are not yet in production.
<b>Special items</b>	Those financial items which the Group considers should be separately disclosed on the face of the condensed combined and consolidated income statement to assist in understanding the underlying financial performance achieved by the Group. Such items are generally material by nature and exceed €10 million and the Group, therefore, excludes these items when reporting underlying earnings and related measures in order to provide a measure of the underlying performance of the Group on a basis that is comparable from year to year.
<b>TRCR</b>	Total recordable case rate (TRCR) is calculated as the number of total recordable cases (the sum of fatalities, lost-time injuries, restricted work cases, medical treatment cases and compensated occupational illnesses) divided by the number of hours worked per 200,000 man hours.
<b>Underlying EBITDA</b>	Operating profit before special items, depreciation, amortisation and impairments not recorded as special items.
<b>Underlying operating profit</b>	Operating profit before special items.
<b>Underlying profit before tax</b>	Profit before tax and special items.
<b>Underlying earnings</b>	Net profit after tax attributable to shareholders, before special items.

## 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, employing around 26,300 people in over 30 countries. We are fully integrated across the packaging and paper value chain - from managing forests and producing pulp, paper and plastic films, to developing and manufacturing effective industrial and consumer packaging solutions. Sustainability is embedded in everything we do, with clearly defined commitments across 10 action areas. We delight our customers with our innovative and sustainable packaging and paper solutions. Our major operations are in central Europe, Russia, North America and South Africa. In 2017, Mondi had revenues of €7.1 billion and a return on capital employed of 19.7%.

Mondi has a dual listed company structure, with a primary listing on the JSE Limited for Mondi Limited under the ticker MND and a premium listing on the London Stock Exchange for Mondi plc, under the ticker MNDI. We are a FTSE 100 constituent, and have been included in the FTSE4Good Index Series since 2008 and the JSE's Socially Responsible Investment (SRI) Index since 2007.

Sponsor in South Africa: UBS South Africa Proprietary Limited.