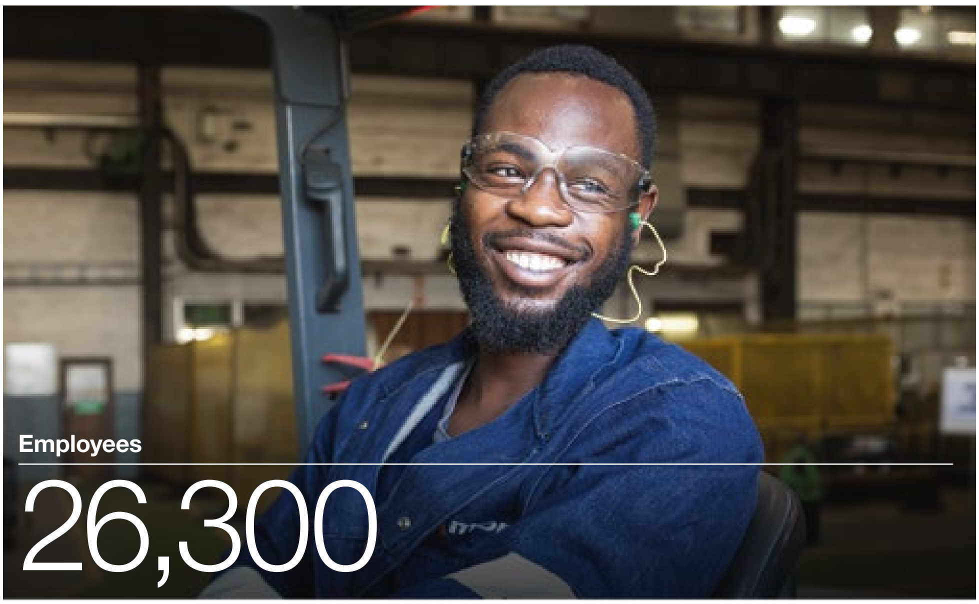
Mondi Group
Integrated report and financial statements
2017

Front cover

Premium glassware gift pack

Premium glassware deserves sophisticated packaging. High-quality printing and an eye-catching open design attract attention in-store, showcase the glasses and add to the sense of style. Our gift packs also feature an innovative snap open and close mechanism and strong carrying handles. The custom fit protects the glasses to ensure that they are in perfect condition when presented as a gift.



Scope

Mondi's Integrated report and financial statements 2017 is our primary report to shareholders.

The scope of this report covers the Group's main business and operations, and provides an overview of the performance of the Group for the year ended 31 December 2017.

All significant items are reported on a like-for-like basis.

Our integrated report is prepared in accordance with the requirements of both the Listings Requirements of the JSE Limited and the Disclosure Guidance and Transparency and Listing Rules of the United Kingdom Listing Authority. We also prepare a detailed Sustainable development report, in accordance with the GRI G4 core requirements and externally assured, which is available at www.mondigroup.com/sd17.

Alternative Performance Measures

The Group presents certain measures of financial performance, position or cash flows in this report that are not defined or specified according to International Financial Reporting Standards (IFRS). These measures, referred to as Alternative Performance Measures (APMs), are defined in note 33 and where relevant reconciled to IFRS in the notes to the combined and consolidated financial statements, and are prepared on a consistent basis for all periods presented.

Materiality

Mondi's Integrated report and financial statements 2017 aims to provide a fair, balanced and understandable assessment of our business model, strategy, performance and prospects in relation to material financial, economic, social, environmental and governance issues.

The material focus areas were determined considering the following:

→ Specific quantitative and qualitative criteria

→ Matters critical in relation to achieving our strategic objectives

→ Principal risks identified through our risk management process

→ Feedback from key stakeholders during the course of the year

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.

This document includes market share estimates prepared by the Group based on industry publications and management estimates. Main industry publication sources are: RISI, Pöyry, Henry Poole Consulting, Eurosac, Freedonia, Alexander Watson Associates, PCI Wood Mackenzie, EMGE, Eurograph and Eastconsult.

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For more information
www.mondigroup.com

Turn out the flap on the back cover to view the content of this document

Delighting our customers with innovative and sustainable packaging and paper solutions.

As a global leader in packaging and paper, we offer a world of opportunities. Our expertise lies in finding the most dynamic and reliable solutions. Delivering value to our stakeholders is always top of mind.

This integrated report provides an overview of how our strategy, governance, people and performance combine to generate value in a sustainable way.

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Overview

The award-winning CornerPack has intuitive tear lines that make it easy for consumers of all ages to open their snacks.

2017 at a glance

A global packaging and paper Group

Mondi is a global integrated packaging and paper Group with a dual listed company structure – primary listing on the JSE Limited and premium listing on the London Stock Exchange.

Financial highlights 2017

- Robust financial performance
- 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
- Recommended special dividend of 100.0 euro cents per share in addition to 62.0 euro cents per share total ordinary dividend

Revenue
€7,096m ↑7%

Profit before tax
€887m ↑5%

Underlying EBITDA
€1,444m ↑6%

Capital expenditure
€611m

Underlying operating profit
€1,018m ↑4%

Underlying earnings per share
149.5 euro cents ↑8%

Return on capital employed
19.7%

Ordinary dividend per share
62.0 euro cents ↑9%

20 56

Our businesses

Packaging Paper

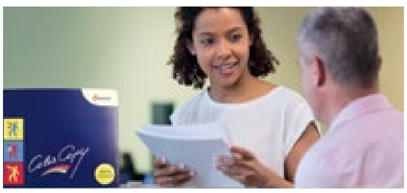
62

Fibre Packaging

66

Consumer Packaging

70



Uncoated Fine Paper

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How we create value

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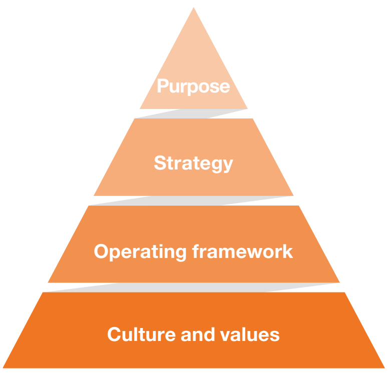
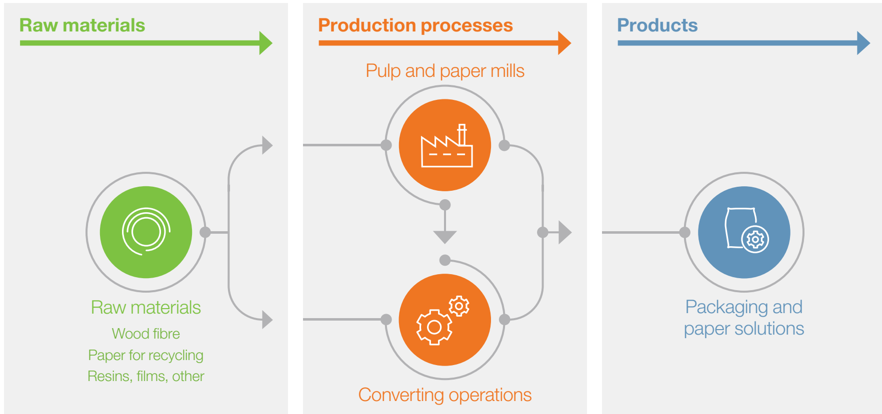
Our integrated value chain shows how we convert raw materials into innovative and sustainable packaging and paper solutions. We use the Mondi Way as our framework to create sustainable value.

The Mondi Way



Our value chain



Our strategy

Our plan of action to build on our competitive advantages.

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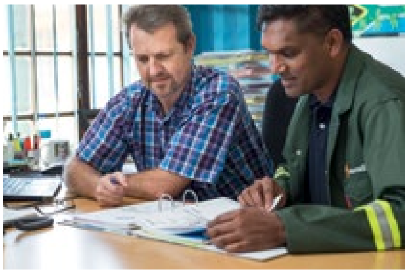

Proactive risk management

Our risk management and internal control framework is designed to address all the significant strategic, financial, operational and compliance risks that could undermine our ability to achieve our business objectives in the future.

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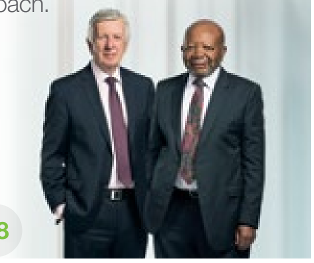
Best-practice governance

Our Boards strongly support adherence to the highest standards of corporate governance with a focus on transparency, integrity and accountability. Our directors are committed to ensuring that we reflect best practice and dedicate time to reviewing developments, assessing our performance and enhancing our approach.



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Growing Responsibly model

Our Growing Responsibly model is the framework through which we respond to our sustainability challenges and opportunities. As one of the Group's strategic value drivers, it shapes our long-term response to sustainability issues and enables us to demonstrate, monitor and improve our sustainability performance in everything we do, across the entire value chain.

The model covers 10 action areas which reflect the key social and environmental aspects of sustainability that are most relevant for Mondi and our stakeholders.

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Electricity self-sufficiency

96%

Safety: Total recordable case rate

21% reduction against 2015 baseline

FSC™- or PEFC™-certified wood[1]

71%

Total specific CO_2e emissions

15% reduction against 2014 baseline

1 The Forest Stewardship Council™ (www.info.fsc.org) and Programme for the Endorsement of Forest Certification™ (www.pefc.org)

2017 at a glance

Our businesses

Group financial highlights

Revenue[1]

€7,096m

Underlying operating profit[2]

Return on capital employed

19.7%

Operating profit

€957m

Profit before tax

€887m

Underlying earnings per share

149.5 euro cents

Basic earnings per share

138.6 euro cents

1 Group/segment revenue
2 Excludes special items of €61 million

Packaging Paper

€2,292m

Products

Our virgin and recycled containerboard is used to make corrugated packaging designed to protect our customers' products and display them in-store.
Sack kraft paper, including brown, white and polyethylene-coated grades, is the main component of valve and open mouth industrial bags. Our speciality kraft paper is used to make a variety of customised packaging solutions from industrial applications to retail shopping bags and attractive food packaging.

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Fibre Packaging

€2,055m

Our corrugated packaging products go well beyond traditional boxes to fully customised trays and wraps, multi-piece solutions, appealing point-of-sale displays and heavy-duty shipping containers.
Industrial bags are a strong, light-weight and sustainable packaging solution optimised for high-speed filling and easy handling. They are mostly used for building materials and agricultural, chemical and food products. Extrusion coatings provide high-quality barriers for a range of products from food packaging to building insulation.

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Consumer Packaging

€1,646m

Our consumer goods packaging products extend shelf-life and improve end-user experience. We offer a range of flexible packaging such as stand-up pouches and re-closable bags. Personal care components form part of diaper, femcare and adult incontinence products. They include soft nonwovens, stretchy elastic films and laminates, mechanical fastening components and wrapping films. Our release liners are used for tapes, fibre composites and graphic arts; and our technical films provide solutions from high-barrier films to surface protection films.

70

Uncoated Fine Paper

€1,832m

We transform responsibly sourced raw materials into innovative paper products that meet customer needs in a cost-effective and sustainable way. Our extensive range of office papers is designed to achieve optimal print results on laser, inkjet and copy machines. High-performance professional printing papers are dedicated for offset presses and the latest digital print technologies. With our wide range of high-quality papers we aim to provide customers a one-stop-shop solution for their needs.

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Group sustainability highlights

Safety

24-hour
safety mindset introduced

WWF global Partnership

3-year extension

CO_2e intensity

15% reduction
against 2014 baseline

→ Joined WWF Climate Savers

→ Introduced science-based target to 2050[3]

Energy consumption

65%
of mill fuel from renewable sources

Specific waste to landfill

18% reduction
against 2015 baseline

Specific effluent load (COD)

9% reduction
against 2015 baseline

Community investments

€9.6m

3 Target is for production-related CO_2 only

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Where we operate

Our global presence

Mondi has over 100 production sites across more than 30 countries, with key operations located in central Europe, Russia, North America and South Africa.

Corporate offices

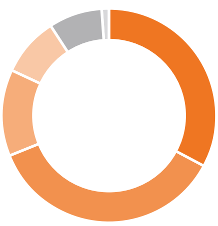
- Johannesburg
- London
- Vienna

Production sites

	Packaging Paper	Fibre Packaging	Consumer Packaging	Uncoated Fine Paper
Austria	●	●	●	●
Belgium		●		
Bulgaria	●			
China			●	
Côte d'Ivoire		●		
Czech Republic	●	●		
France		●		
Germany		●	●	
Hungary		●	●	
Iraq		●		
Italy		●		
Jordan		●		
Lebanon		●		
Malaysia		●		
Mexico		●		
Morocco		●		
Netherlands		●	●	
Oman		●		
Poland	●	●	●	
Russia	●	●	●	●
Serbia		●		
Slovakia	●			●
South Africa	●			●
South Korea			●	
Spain		●		
Sweden	●	●		
Thailand			●	
Turkey	●	●	●	
Ukraine		●		
UK			●	
US	●	●	●	

Revenue by location of production
%

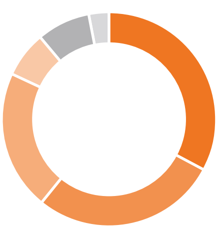
€7,096m



Emerging Europe	33
Western Europe	36
Russia	13
South Africa	9
North America	8
Other	1

Employees per region
%

26,300 employees



Emerging Europe	33
Western Europe	28
Russia	21
South Africa	7
North America	8
Other	3

Major capital investments

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1. Świecie (Poland)

€260m

Recovery boiler, turbine, biomass boiler, 100 ktpa pulp integrated to 80 ktpa light-weight kraftliner and increased share of kraft top liner (completed 2017)

2. Štětí (Czech Republic)

€41m

Woodyard upgrade (completed 2017)

3. Štětí (Czech Republic)

€335m

Recovery boiler, rebuild of fibre lines, debottlenecking of the existing packaging paper machines (in progress)

4. Ružomberok (Slovakia)

€310m

Pulp mill upgrade (in progress)
300 ktpa kraft top white containerboard machine (approved)

5. Syktyvkar (Russia)

€144m

Power plant rebuild and waste water treatment plant modernisation (in progress)

Acquisition

26

1. Excelsior Technologies (UK)

€40m

Consumer Goods Packaging (completed 2017)

Our commitment to growing responsibly

Our focus on sustainable development and relationships with people is integral to our success.

"By growing responsibly we prioritise long-term value creation."

David Williams (left)
Fred Phaswana (right)

Mondi's strategy is to deliver value accretive growth focused around innovative and sustainable packaging and paper solutions. Our Growing Responsibly model reflects our focus on sustainable development, and along with inspiring our people makes up one of our four strategic value drivers. Our commitment is to respect the confidence our shareholders place in us; support the communities we work in and manage ecosystems responsibly as livelihoods depend on them; ensure a safe, fair, and diverse working environment; and empower employees, customers and suppliers to realise their full potential.

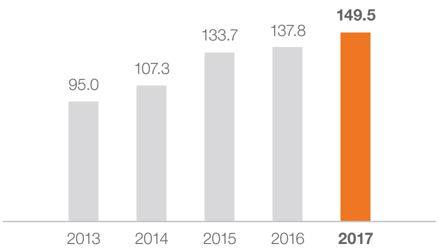
Our culture and values are at the heart of how we do business.

Prioritising strong governance

The boards of Mondi Limited and Mondi plc strongly support adherence to the highest standards of corporate governance with a focus on transparency, integrity and accountability. Our directors dedicate time to reviewing best-practice developments, assessing our performance and enhancing our approach. We regularly review our governance framework and practices to ensure they are still appropriate and, where

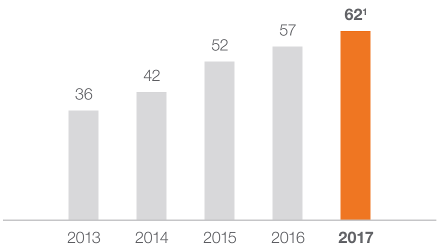
Underlying earnings per share
euro cents

149.5 euro cents



Total ordinary dividend per share
euro cents

62 euro cents



1 Based on proposed final ordinary dividend of 42.90 euro cents per share. In addition, a special dividend of 100 euro cents per share has been proposed

necessary, changes have been made to our policies and procedures to reflect developing best practice.

We steer Mondi's ongoing success by focusing on long-term shareholder value, managing risks appropriately, and making decisions that build on Mondi's inherent strengths. This enables the Group to take advantage of opportunities while mitigating the impact of risks. We hold management accountable for the successful execution of the strategy in line with the guidance we provide.

As announced in February 2017, David Hathorn stepped down as Mondi's Group Chief Executive Officer at the conclusion of the Annual General Meetings on 11 May 2017 after 26 years with Mondi. Our heartfelt thanks go to David for the immense contribution he made to developing Mondi into the Group it is today. The Boards are delighted to have someone of Peter Oswald's calibre as his successor, and we look forward to Mondi's next successful chapter under Peter's leadership.

In 2017 we also welcomed Tanya Fratto to the Boards as a non-executive director and chairman of the DLC remuneration committee. Tanya takes over from Anne Quinn who served on Mondi's Boards for 10 years. We sincerely appreciate the astute guidance Anne provided during her tenure and wish her all the best in her future endeavours.

78 Governance

Focusing on performance

Our robust strategy, combined with Mondi's talented and hard-working teams; portfolio of cost-advantaged assets; diverse product range; and integration of sustainability risks and opportunities into all business decisions, has resulted in a strong track record of performance for Mondi. Over the last five years, Mondi has increased underlying earnings per share by 12% on average per annum, and significantly outperformed the average of its peer group on total shareholder return. We continue to believe in the Group's ability to deliver long-term value to shareholders.

2017 was a successful year for Mondi. Underlying operating profit was up 4% to €1,018 million and our return on capital employed was 19.7%.

Based on the Group's performance in 2017, the boards of Mondi Limited and Mondi plc have recommended a final ordinary dividend of 42.90 euro cents per share (2016: 38.19 euro cents per share). Together with the interim ordinary dividend of 19.10 euro cents per share, this amounts to a total ordinary dividend for the year of 62.0 euro cents per share, an increase of 9% from 2016. Given our strong financial position and confidence in the Group's 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.

Investing in the future

Mondi continues to make good progress on major capital projects and members of the Boards had the opportunity to visit Ružomberok (Slovakia) and Štětí (Czech Republic) this year to understand more about how the investment plans are moving ahead at these key sites. We also completed the acquisition of Excelsior Technologies Limited (UK) early in the year, and in December we signed an agreement to acquire Powerflute (Finland).

Built on past achievements and designed for our future success, Mondi's Growing Responsibly model continues to help us respond to sustainability challenges and opportunities. With its 16 commitments embedded in 10 action areas, the model shapes our long-term response to the sustainability issues most relevant to Mondi and to our stakeholders, and enables us to demonstrate, monitor and improve our sustainability performance.

20 Strategy review
42 Sustainability performance

Showing respect for people

The safety of our people, one of our 10 action areas, remains a priority for us and is a focus of our board meetings. We were deeply saddened by the two fatalities in 2017, one in our South African forests and the other at our Tire Box plant in Turkey. There is also one person reported as missing (presumed deceased) at our Syktyvkar logging operation in Russia. Our thoughts are with their families and colleagues. Importantly our teams have worked hard to understand the events leading to these incidents and how similar situations can be prevented in the future. We continue to strive for zero harm in everything we do, and are determined to ensure the adoption of a 24-hour safety mindset – where everyone works safely, and returns home safely to their families every day.

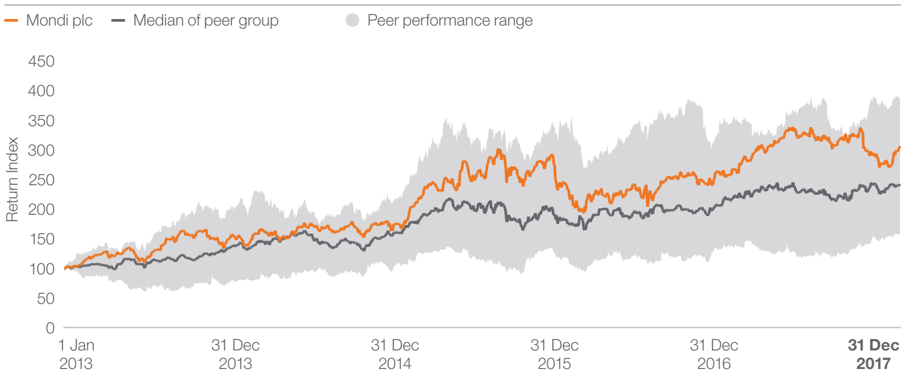
We know that in order to be successful in the future, we need to unlock the full potential of our people and nurture their passion – another of our action areas. By treating people with respect, we will promote a culture that encourages our teams to be dynamic, entrepreneurial and empowered. This in turn helps Mondi to build constructive partnerships with stakeholders.

On behalf of the Boards, we thank everyone who has given their time, energy and expertise to drive Mondi's success in 2017. We appreciate it, and have every reason to feel confident that in keeping people at the heart of our strategy, 2018 will bring further value accretive growth opportunities for Mondi.

Fred Phaswana
Joint Chairman

David Williams
Joint Chairman

Five-year total shareholder return (TSR)
(euro returns: indexed to 1 January 2013)



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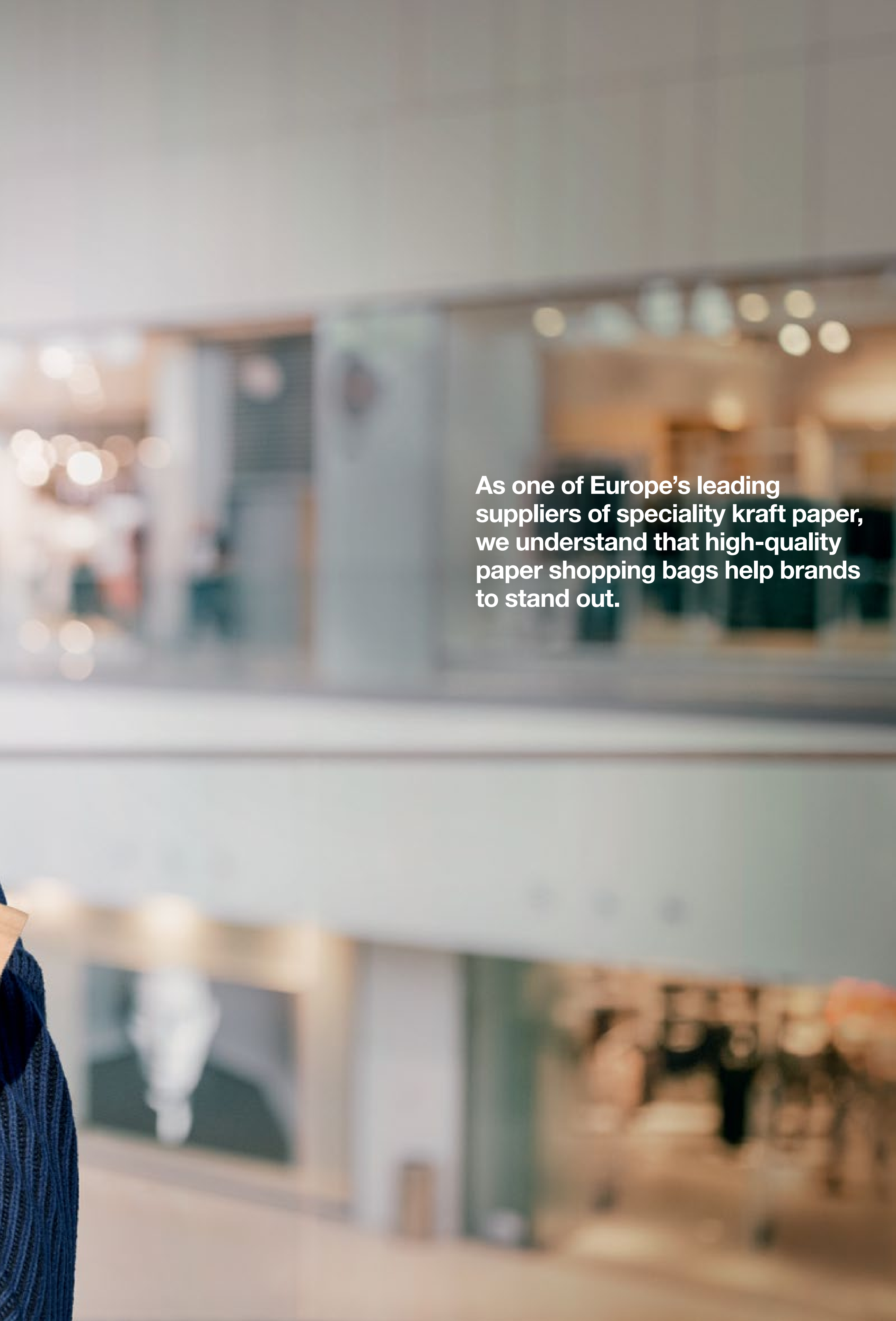
Strategic report

The Strategic report was approved by the Boards on 1 March 2018 and is signed on their behalf by:

Peter Oswald
Chief Executive Officer

Andrew King
Chief Financial Officer



As one of Europe's leading suppliers of speciality kraft paper, we understand that high-quality paper shopping bags help brands to stand out.

Creating value the Mondi Way

The Mondi Way

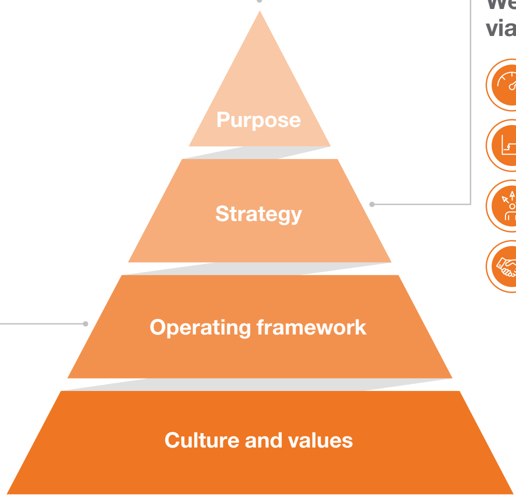
The Mondi Way is our unique framework for creating sustainable value. Our purpose provides context for our strategy, which we then execute through the Mondi Diamond, our operational framework, in line with our culture and values.

20 Our strategy builds on our competitive advantages: read more in the Strategy review

Purpose

Our purpose states what we do and why we do it.

We delight you with innovative and sustainable packaging and paper solutions. Every day.



Strategy

Our strategy is our plan of action designed to build on our competitive advantages so that we can achieve our purpose.

We drive value accretive growth via our four strategic value drivers:

- **Drive performance along the value chain**
- **Invest in assets with cost advantage**
- **Inspire our people and grow responsibly**
- **Partner with customers for innovation**

Operating framework: The Mondi Diamond

The Mondi Diamond converts strategy into clear objectives that drive performance at an operational level.

→ **Cutting-edge solutions**
→ **Inspired people**
→ **Operational excellence**
→ **Successful customers**
→ **Sustainable development**

Culture and values

Our **culture** and values connect, guide and inspire our people.

→ **We are dynamic, entrepreneurial and empowered**
Passion for performance

→ **We are respectful and responsible**
Caring

→ **We encourage honesty and transparency**
Acting with integrity

Our key inputs in 2017

→ High-quality, well-invested, cost advantaged integrated asset base

90% pulp and paper capacity in two lowest cost quartiles

€5.4 billion capital employed

→ Responsible procurement of raw materials and other inputs

71% wood procured from FSC- or PEFC-certified sources

65% mill fuel consumption from biomass-based renewable sources

→ Strong financial position and cash flow generation

€948 million cash flow generated

BBB/Baa1 S&P/Moody's credit rating

→ Engagement and collaboration with customers and suppliers

9,000+ customers

1,500 key suppliers

→ Diverse and talented people with a broad range of skills and experience

26,300 employees

22% women employed across our operations

→ Constructive relationships with communities, governments, NGOs and other stakeholders

Numerous strategic partnerships, memberships and collaborations

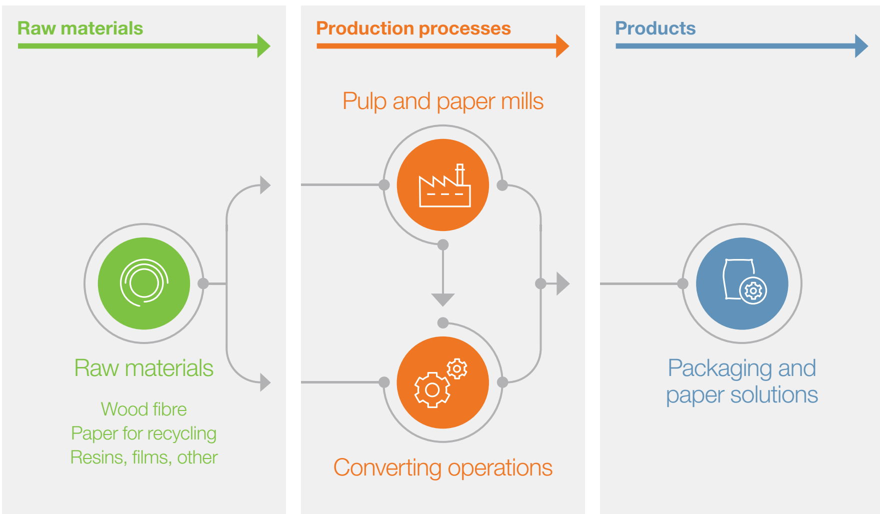
Majority of key operations have Community Engagement Plans in place

Our value chain

Our integrated value chain shows how we convert raw materials into innovative and sustainable packaging and paper solutions. We use the Mondi Way as our framework to create sustainable value.

The risks we manage

- → Strategic risks
- → Financial risks
- → Operational risks
- → Compliance risks



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60 Our integrated value chain

Our key outputs in 2017

→ High-performing operations

19.7% ROCE

14 production records on pulp/paper machines

→ Sustainably managed natural resources and outputs

10.1m GJ energy provided to communities and public grid

100% managed forests certified

→ Capital appreciation and dividends to shareholders

9% increase in ordinary dividend per share

203% total shareholder return (5 years)

→ Innovative products and solutions

€23 million spent on research & development

7.9 out of 10 strong customer satisfaction (survey results)

→ Inspired and skilled people

829,900 training hours

9% reduction in total recordable case rate against 2016

→ Support to regional economies and local communities

€151 million direct taxes paid

€9.6 million community investments

Explaining our business model

Our key resources and relationships

Our people

We have a team of **26,300 diverse and committed individuals with a broad range of skills and expertise.** Our culture and values are instilled across our operations to connect, guide and inspire our people, providing a platform for our shared success. Safety is always a key focus. We continue to address risks and strengthen our safety culture as we strive to reach our goal of zero harm.

42 Sustainability performance

Forests and raw materials

Fibre is a key input in our pulp and paper businesses and 71% of our wood procured is FSC- or PEFC-certified, with the balance meeting our minimum Controlled Wood Standard. We have access to our own responsibly managed fibre supply from the 2.4 million hectares of forest we lease, own and manage in Russia and South Africa. Responsible forest management is a key component of our commitment to securing sustainable fibre and is outlined in our Growing Responsibly model.

Access to natural resources (most notably water and energy) and raw materials (such as wood, chemicals, polymers and paper for recycling) is vitally important to our success. We are committed to the **responsible procurement of raw materials and other inputs**, and encourage supply chain transparency and promote fair working conditions **collaboratively with our 1,500 key suppliers.**

42 Sustainability performance

Pulp and paper mills

We have a **high-quality, well-invested, cost advantaged asset base** with around 90% of our pulp and paper capacity in the two lowest industry cost curve quartiles. We operate pulp and paper mills commonly referred to as our 'upstream businesses'. These manufacturing facilities use virgin fibre procured from our managed forests or from external sources, paper for recycling and other raw materials to produce pulp, packaging paper and uncoated fine paper. Our packaging paper mills produce containerboard and kraft paper, which is sold to external customers and our Fibre Packaging and Consumer Packaging businesses. Our uncoated fine paper mills produce office and professional printing paper sold as cut-size, in folio form or in large reels to our customers.

We operate a vertically integrated asset base allowing our upstream businesses to benefit from security of supply, reduced exposure to price volatility of key raw materials (particularly wood and pulp) and enabling us to benefit from production and logistics optimisation.

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Financial resources

Our ability to generate value in a sustainable way is also dependent on our financial resources. The Group has historically **generated cash** through the cycle, maintained **a strong financial position** and continually reinvested into the business. This has allowed us significant agility to pursue value accretive growth opportunities as and when they arise. In 2017, Mondi generated €948 million of cash flow, of which €611 million was reinvested into the business through capital expenditure. Our investment grade credit ratings were also reaffirmed during the year.

56 Group financial performance

Communities

As a global company and significant local employer, Mondi plays a key socio-economic role in the communities where we operate, creating employment and business opportunities in addition to paying local and regional taxes. In more remote areas in particular, we continue to contribute to local communities through services such as energy and waste water treatment, and by improving infrastructure.

We have **Community Engagement Plans in place** at the majority of our key operations, and we make voluntary **community investments** supporting health, education, local enterprise and infrastructure. In 2017, we invested €9.6 million globally in the communities where we operate.

42 Sustainability performance

Converting operations

Our downstream businesses convert packaging papers (sourced internally from our upstream businesses as well as externally), and other raw materials into converted packaging products such as corrugated board and boxes, industrial bags and extrusion coatings (fibre-based packaging).

We are also present across the entire consumer flexible packaging production process, from resin compounding for certain products to blown and cast film extrusion, flexographic and rotogravure printing, laminating, coating, roll-slitting, bag making, laser cutting and incorporating special features. We believe this vertical integration, together with our specialised R&D facilities, provides a platform to **develop partnerships with our customers and develop innovative and customised solutions.** Our global and broad range of consumer goods packaging solutions, technical films, components for personal care products and release liners demonstrates our diversity, scale and ability to meet our customers' packaging needs.

66 Fibre Packaging 70 Consumer Packaging

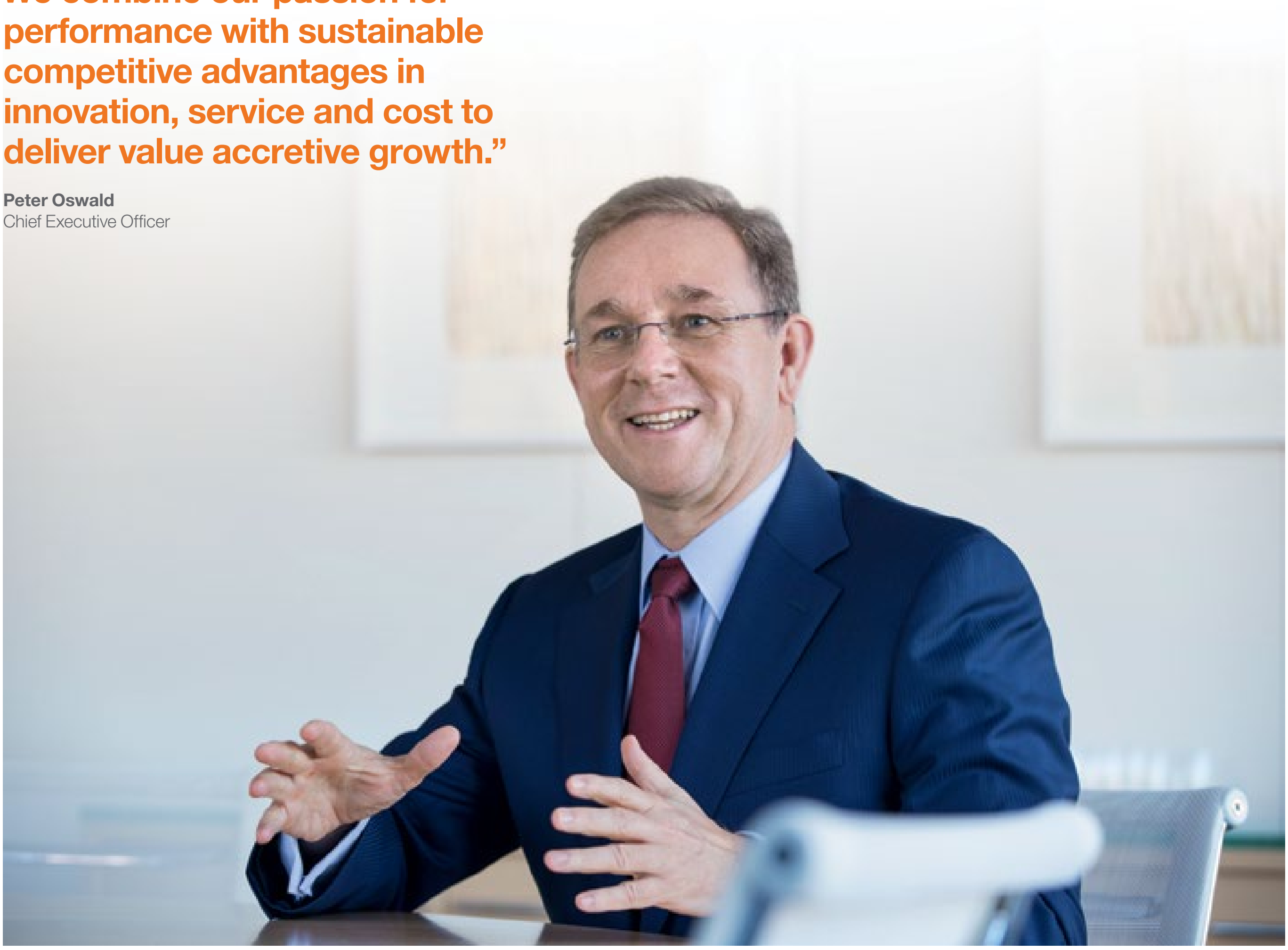
Chief Executive Officer's letter

Our passion for performance

2017 was a milestone year for Mondi – marking the 50th anniversary of the Group, as well as 10 years listed on the Johannesburg and London Stock Exchanges.

"We combine our passion for performance with sustainable competitive advantages in innovation, service and cost to deliver value accretive growth."

Peter Oswald
Chief Executive Officer



My predecessor David Hathorn, whom I worked with for 25 years, handed over the reins to me in May 2017. I am grateful to lead an organisation with a successful strategy, a consistent track record of delivery, a strong balance sheet, and a great team of around 26,300 people with a passion for performance. A solid foundation from which to drive our ambitions for the next decade of value accretive growth. I would like to thank all Mondi employees for their high level of engagement in 2017.

The world around us in 2017

In 2017 we saw good global economic growth, estimated at 3.2%, which is expected to continue into 2018 despite ongoing economic and political uncertainty. Packaging trends and growth in our key European markets led to strong demand and positive pricing fundamentals across the majority of segments in which we operate.

Mondi continues to be well-positioned to leverage key global industry trends in sustainability, e-commerce and convenience. Geographically we are ideally placed for opportunities in Europe and North America, which account for around half the global packaging market. We have established a leading position in the faster growing central and eastern European markets as well as exposure to growing markets in Africa and Asia as their demands increase.

Strategic focus

We took the opportunity in October to share detail on our strategy at our Capital Markets Day. Our long-term strategic commitment to value accretive growth has served us well and I intend to maintain this focus while CEO.

We have a strong capital expenditure project pipeline. Over the last four years, our major capital expenditure projects have contributed around €175 million of incremental operating profit, including €25 million in 2017, and we expect to generate a further €15 million in 2018. Our major projects in the Czech Republic, Slovakia and Russia will increase our current saleable pulp and paper production by around 9% when in full operation. This, together with many smaller investments in Consumer Packaging and Corrugated Packaging, is expected to contribute to our earnings from 2019.

Since 2008, we have invested around €1.7 billion in acquisitions. We are pleased to have signed an agreement to acquire Powerflute, an integrated semi-chemical fluting mill in Kuopio (Finland) and I look forward to welcoming the team to Mondi. We have evaluated a number of acquisition opportunities, but high valuations caused us to step back and be patient. We seek to acquire ‘rough diamonds’ from which we can generate long-term value accretion through exposure to our operational excellence programme.

Our industry-leading businesses – a core strength

Underpinning our growth is our network of more than 100 plants and mills across four continents that represent, what we believe is, an industry-leading portfolio. Our focus on businesses with sustainable competitive advantages in innovation, service and cost leadership is unparalleled in the industry. Developing superior businesses to maintain and enhance our competitiveness is a core strength, providing both a strong platform for future growth and resilience in a downturn.

Overall, manufacturing in Europe has seen a material decline since the turn of the century and currently represents around 15% of total EU value add and employment, even though it accounts for around 80% of total EU exports and more than 60% of R&D investment. I have spent my career in manufacturing and as CEO, I intend to take an active role in promoting the importance of a strong, well-supported manufacturing footprint to Europe’s economic future.

Growing responsibly

We continue to make progress on our sustainable development commitments to 2020. Since 2004, when we defined our CO_2e emission reduction targets for the first time, we have reduced our specific CO_2e emissions by 38% and boosted the fuel consumption of our mills from biomass-based renewable sources to 65%.

The world’s forests are the lungs of the earth, and critical for livelihoods and ecosystems. So Mondi has an important stewardship role for the 2.4 million hectares of forest we lease, own and manage in Russia and South Africa, and for procuring wood from responsible, sustainable sources.

I am delighted that we have extended our global Partnership with WWF by another three years to 2020, focusing on our stewardship of forests, climate & energy and freshwater.

As a producer of both paper and plastic-based packaging, we are in a strong position to support the transition to a more circular economy, developing more sustainable plastic-based packaging solutions and recognising the important roles plastic and paper packaging play in addressing global challenges such as food waste.

Our people

The safety of our people is at the heart of our ways of working. We have made important progress in the last few years to ensure our safety processes are world-class. However, processes are only effective when followed and our journey to zero harm will only progress with a safety mindset where each one of our employees, contractors and suppliers habitually practise safety in everything they do. Tragically we had two fatalities and three incidents resulting in life-altering injuries in 2017, and a further employee is missing, presumed deceased. My heart goes out to the families and friends of all those affected. I am determined that this will not be repeated in 2018 and my leadership team continues to actively drive a culture that puts safety first across all our production sites and offices.

Diversity in all its forms is also a topic that requires leadership attention. History and traditions in the packaging and paper industry have not been the ideal foundation for gender equality in particular. We have made important progress in diversity in recent years, but we are not where we want to be. As with safety, permanent change comes from the right mindset, starting with leadership, so progress in diversity and inclusiveness will also be a personal goal during my tenure as CEO.

Peter Oswald
Chief Executive Officer

Strategy review

Delivering value accretive growth

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.

"2017 was a successful year for Mondi. We benefited from good demand and our continuous drive for operational performance."

Peter Oswald (left)
Chief Executive Officer

Andrew King (right)
Chief Financial Officer

Our financial performance in 2017

Group revenue of €7,096 million was up 7%. Excluding the impact of acquisitions, revenue was up 4%.

Underlying operating profit was 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. Our return on capital employed (ROCE) was 19.7%.

After taking into consideration the impact of special items, operating profit of €957 million was up 1% (2016: €943 million).

We continue to make good progress in securing future growth and the ongoing cost competitiveness of our operations through delivery on our capital investment 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.

Underlying earnings of 149.5 euro cents per share were up 8% compared to 2016.

A special item net charge amounting to €61 million before tax was recognised (2016: €38 million), mainly for restructuring and closure costs and related impairments. 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 cash generation remained strong with cash generated from operations of €1,325 million, including the impact of an increase in working capital during the year. Net debt was down €57 million to €1,326 million, or 0.9 times net debt to 12-month trailing underlying EBITDA.

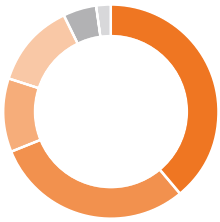
Our strategy

Mondi's clear and consistent strategy is to deliver value accretive growth by focusing on our four strategic value drivers. Our disciplined approach to this strategic roadmap, while retaining flexibility around how we execute on it, has positioned us as a leading global packaging and paper group with a strong platform for growth. We continue to expand our business, with an emphasis on assets and markets that offer us inherent advantages and products that are core to our portfolio or bring related development opportunities.

We see greatest potential for structural growth in the packaging sectors where we operate. We plan to continue growing our packaging businesses through value-enhancing capital investments and acquisitions that build on our competitive advantages and enable us to better serve our customers by broadening our product offering and/or extending our geographic footprint.

Our Uncoated Fine Paper (UFP) business has a clear cost competitive advantage and exposure to growing markets in central and eastern Europe, Russia and South Africa. We will continue to invest to maintain and improve the competitiveness of our UFP operations and leverage this asset base to increase our exposure to faster growing packaging products where the opportunity arises.

Net operating assets by location
%



Emerging Europe	39
Western Europe	30
Russia	11
South Africa	13
North America	5
Other	2

Drive performance along the value chain

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 have continuous improvement systems and processes in place focused on enhancing productivity, increasing efficiency, reducing waste and ensuring our processes stay lean.

Our collaborative approach to benchmarking enables us to learn from our best performing operations and identify emerging issues to ensure performance is optimised throughout the organisation.

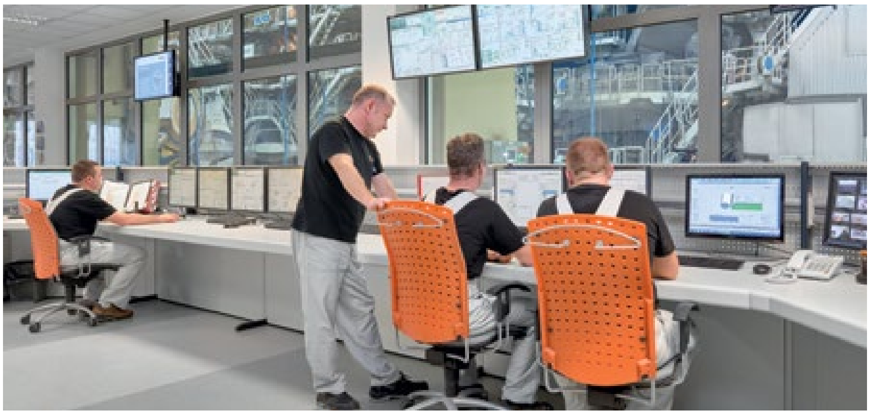
We maintain selected centralised functions, where we believe we can benefit from a coordinated approach, such as procurement, technical, sustainable development, treasury and tax, to optimise collaboration and costs.

A key component of our success is driving performance along the value chain by creating an entrepreneurial and dynamic culture across our organisation.

Delivering value accretive growth

Our strategy is to deliver value accretive growth by focusing on our four strategic value drivers. This approach allows us to build on the competitive advantages we enjoy today and sets a clear framework for our investment and operational decisions so that we can continue to create value into the future. While all strategic value drivers are relevant to each of our businesses, priority levels differ across the value chain.

Strategy review



Proactive asset management to maximise equipment reliability

The Mondi Asset Management System (AMS) is a great example of our commitment to operational excellence. With the goal of maximising equipment reliability, the Mondi Operational Excellence Team, together with internal and external experts, developed a best practice tool kit to enable our maintenance and production teams to 'make the right decisions at the right time'.

It was important to first gather existing good practices and develop a common best practice framework that outlined work organisation, methods and tools, ultimately creating a systematic and consistent process for optimum reliability management across our operations. Next the team leveraged up the skill set and competencies of maintenance and production teams across all Mondi's pulp and paper mills by providing theoretical and practical classroom training. This included offsite training courses for the top 50 maintenance and production managers across Mondi.

By developing mill-specific roadmaps, leaders took ownership of the role they needed to play in a new asset management culture. We also introduced a platform for new learning experiences through cross-operational peer reviews.

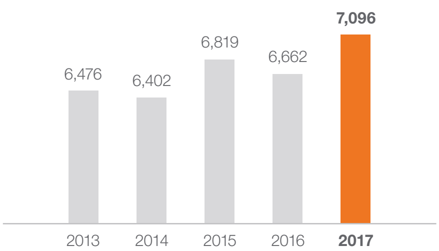
Today all our pulp and paper operations use the AMS as part of their operational improvement plans. This strong collaboration-orientated maintenance network resulted in nine cross-operational peer reviews in 2017, and more are planned in 2018.

Invest in assets with cost advantage

We believe that our portfolio of assets is industry leading. 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. 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.

Group revenue
€ million

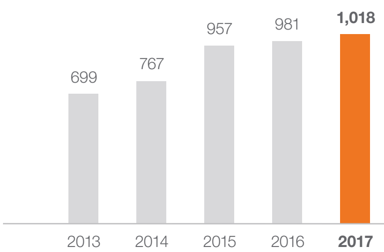
€7,096m

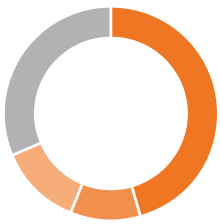


Group underlying operating profit
€ million

€1,018m

↑4% on 2016



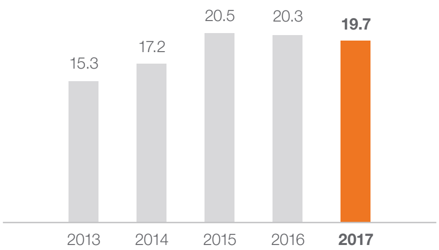


Packaging Paper	482
Fibre Packaging	111
Consumer Packaging	132
Uncoated Fine Paper	331

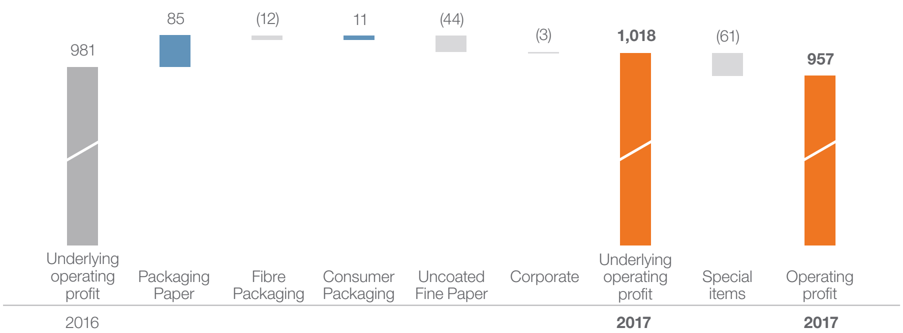
Breakdown excludes corporate costs of €38 million

Return on capital employed (ROCE)
% (12-month trailing)

19.7%

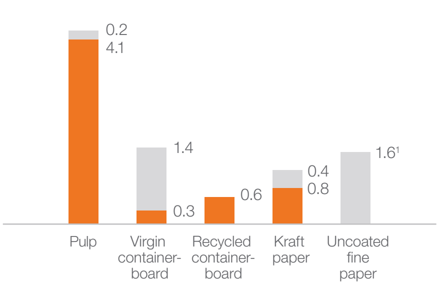


Operating profit development by Business Unit
€ million



Our integrated business model, with backward pulp integration and high electricity self-sufficiency, provides us with security of supply, reduced exposure to raw material price volatility and helps us manage sustainability risks and opportunities more holistically.

Vertical integration
production in million tonnes



1 In addition to 1.6mt of uncoated fine paper, the Group also produced 0.3mt of newsprint in 2017

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.

Since 2013 we committed around €770 million to major capital projects. In the first half of 2017, we commissioned the last of these investments, the final phase of our €260 million investment programme in Świecie (Poland). 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.

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.

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.

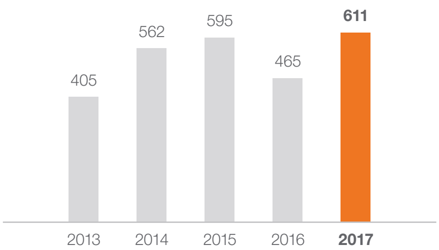
Our major capital projects in Czech Republic, Slovakia and Russia will increase our current saleable pulp and paper production by around 9% when in full operation.

In recent years, we have invested significantly in the modernisation and growth of our Consumer Packaging business. In the near term, while capital investment opportunities in this business remain an option, we are focused on the optimisation of our existing operations and recent investments.

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.

Capital expenditure
€ million

€611m



Investing in Świecie

Our containerboard portfolio offers enhanced options for meeting customer needs in the light-weight kraftliner segment.

Strategy review

Inspire our people and grow responsibly

42 Sustainability performance

Our employees matter and we believe diversity is key to Mondi's future. During the year we placed further emphasis on the need to foster diversity across the business, and by openly engaging with our people, we work hard to ensure their commitment to a business that acts responsibly, empowers them and offers a range of development opportunities.

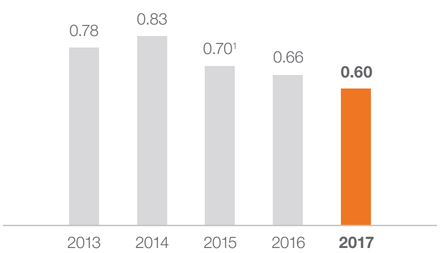
In 2017 we continued our journey of regular performance and development reviews (PDR) including 360° feedback for all employees in leadership roles. Our internal mentoring programme engaged senior leaders and cultural role models from across the business to mentor younger employees on managerial, technical and cultural topics.

Training and development is an important contributor to our success and we are proud of our global training facility, The Mondi Academy, which offers a wide range of training courses with a focus on general management, strategy, and sales and marketing. In 2017 we introduced new programmes including the Project Management Academy, and new gamification training schemes which apply game-design elements and game principles to corporate learning contexts.

In January 2018 we kicked off our latest global employee survey. Actions taken since the last survey in 2015 include a best practice sharing workshop for managing directors, a newly developed 'Leadership Programme for Middle Management' in local languages and collaboration workshops. We have also conducted three 'pulse check' employee surveys at our larger operations to track the progress on our actions.

Our people are important to us, particularly when it comes to ensuring that everyone returns home safely to their families every day. Regrettably, we experienced two fatalities in 2017 with a further employee missing, presumed deceased. We also had three life-altering injuries. 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 have introduced a new 24-hour mindset approach, designed to help shape a culture where we act safely in everything we do. We remain determined to focus on top risks so that fatalities and life-altering injuries are not a part of our future. It is very encouraging that the steps we have taken resulted in an improved total recordable case rate (TRCR) 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.

Total recordable case rate (TRCR)
per 200,000 hours worked



1 2015 baseline for calculating progress against 2020 commitment is 0.76, which has been adjusted to include acquisitions

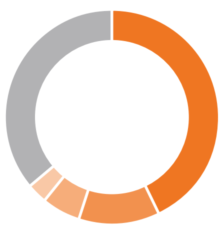
We believe that being part of the solution to global sustainability challenges will secure the long-term success of our business and the wellbeing of our communities and other stakeholders. We address the risks and opportunities that arise from global environmental and societal trends, so that we retain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

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_2e 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 sources 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_2 per tonne of saleable production by 2050 against a 2014 baseline of 0.59.

Value distribution[1]
%

€2,483m



Employees	43
Providers of equity capital	12
Direct taxes paid	6
Providers of loan capital	3
Reinvested in the Group	36

1 Value distribution defined as operating profit before taking into account personnel costs and depreciation, amortisation and impairments

Extending the Mondi-WWF Global Partnership

In 2014, Mondi and WWF launched a global strategic Partnership to promote a more responsible forestry, pulp and packaging industry. In 2017, we extended our Partnership for another three years.

Gladys Naylor, Group Head of Sustainable Development at Mondi, and Alistair Monument, WWF's Forest Practice Leader, share the successes and challenges of the Partnership and why they're proud of its achievements.

Q Why do you think the relationship between the two organisations has been so powerful?

Gladys: I respect the integrity that WWF brings to the work we do together. Whatever it is we're working on, our relationship is such that we can rely on our counterparts to recognise when progress has been made, and to flag where we could be doing more.

Alistair: We're idealistic – and that's an important role we play – but it's been extremely valuable to understand the practical realities facing a business like Mondi. It's strengthened our understanding of corporate operating environments and, by bouncing ideas off of each other, we've been able to achieve win-win results that are more robust, practical and valuable.

Read the full interview:
www.mondigroup.com/sdpublication17

Q What are your personal highlights from the first three years of the Partnership?

Alistair: Definitely the work we've done to identify Mondi's science-based carbon targets as part of our Climate Savers Programme. Over the last 10 years, Mondi has impressively proven how to reduce GHG emissions by modernising its plants and investing in energy efficiency. There's also the engagement to improve forest management – developing the Boreal Forest Platform in Russia and defining Intact Forest Landscapes.

Gladys: One of the highlights for me is the clarity we've brought to the cascading use of wood concept; getting the most value we can from trees by not burning them straight away for energy. It's been great to play a part in communicating Mondi and WWF's common understanding on the most efficient use of wood – both within our industry and beyond. We've also cooperated on developing WWF's Water Risk Filter by sharing our experience of carrying out water impact assessments, and by testing the WWF Water Risk Filter tool on our operations.

Q What can we look forward to over the next three-year phase of the Partnership?

Alistair: Responsible sourcing will continue to be a big topic moving forward. I'm also expecting exciting developments with regards to freshwater – including engaging with the Alliance for Water Stewardship – as well as the work around science-based climate targets.

Gladys: I can't wait to see what the future holds. Individually, both WWF and Mondi continue to do work that we're proud of, but it's the prospect of achieving more together that makes the next three years of our Partnership so exciting.

Partner with customers for innovation

Working with our customers to create innovative solutions is key to our long-term success. In our upstream packaging and paper operations our focus is on producing lighter weight packaging materials without sacrificing strength, enhancing the printing quality of our products and achieving productivity and efficiency gains. Our downstream converting operations focus on product innovation, meeting evolving customer requirements and generating solutions that help our customers promote the products they produce, reducing the environmental footprint of their packaging, providing more sustainable solutions and delivery on product requirements such as longevity, freshness and convenience. We enhance our quality processes to give hassle-free service to our customers.

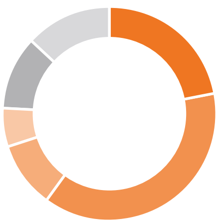
Our integrated business model allows us to produce a broad range of customer solutions and draw on our experience to develop the appropriate product from our fibre and flexible-based packaging operations or a combination thereof.

In our fibre-based packaging businesses, our backward integration provides us security of supply. Through our product development, we are able to carry developments in our upstream paper operations over to our Fibre Packaging products and, together with our Consumer Packaging businesses, are able to offer innovative solutions combining the best features of our paper and flexible packaging solutions to our customers.

Revenue by location of customer

%

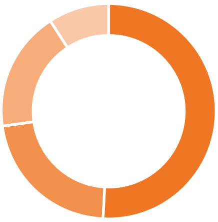
€7,096m



Emerging Europe	22
Western Europe	38
Russia	10
South Africa	6
North America	11
Other	13

Strategy review

Product mix
% of revenue



Consumer-related packaging[1]	51
Industrial packaging	22
Uncoated fine paper	18
Other	9

1 Comprises containerboard, corrugated packaging and consumer packaging

Our products need to meet increasingly sophisticated and bespoke customer needs. We operate a number of research and development (R&D) centres to improve existing products and processes and to develop new solutions. We have made good progress this year, working on and launching a number of new products, improving our service offering and strengthening strategic partnerships.

In order to improve our offering of innovative solutions, we acquired Excelsior Technologies Limited (UK) at the beginning of 2017, a producer of innovative flexible packaging solutions, mainly for food applications, with a unique packaging technology for microwave steam cooking. In December 2017, to broaden our high-quality packaging paper offering to our global corrugated packaging customers, 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.

Eco-packaging breakthrough: Biodegradable paper liner for FFS machines reduces plastic by 70%

Until recently, running paper on a vertical form fill-and-seal (FFS) machine was not possible. Mondi and Polish converter SILBO have developed a breakthrough solution: the first paper-based, biodegradable liner for food that runs on horizontal and vertical FFS machines.

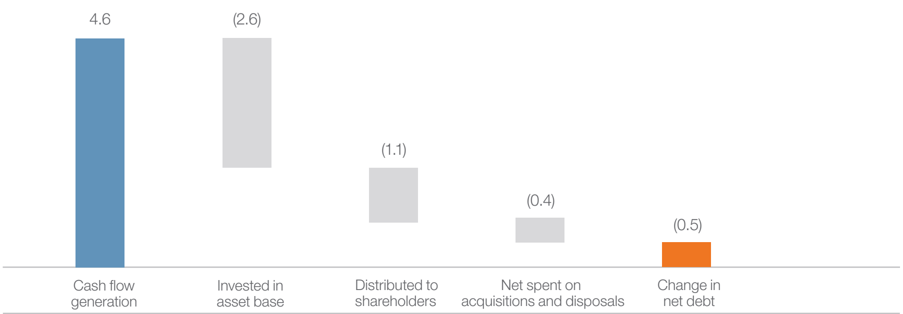
Collaboration and complementary know-how led to the innovation of SKOG for Food. It reduces plastic by up to 70%, while retaining all the required barrier properties to keep food fresh longer. Mondi developed the paper liner and barrier coating needed, and SILBO added high-quality printing and a see-through window, enabling brands to better showcase their products.

Nearly two years of collaborative research and development between Mondi Extrusion Coatings and SILBO went into creating SKOG for Food. Marcin Śpiewok, Business Development Manager at SILBO says, "We wanted to give the consumer the opportunity to choose eco-friendly packaging that helps increase the time food can be stored at home."

The innovative liner is made of sustainable, certified paper. Through Mondi's extrusion coating technology it is given a double-sided coating of our biodegradable barrier Sustainex®. The paper's gas permeability properties are still maintained, preserving and protecting fresh food longer. Sustainex® is derived from renewable materials and is fully compliant with international standards for biodegradability and compostability. It is eligible for organic recovery, energy recovery and material recycling. And of course it is approved for direct contact with food.

"The outcome is a biodegradable window bag with excellent printability and barriers, which offers the brand owner and the consumer the most sustainable barrier packaging," comments Jan Murzyn, Sales Manager Mondi Extrusion Coatings.

Five-year cumulative cash flow
€ billion



Strategic financial priorities and returns to shareholders

We manage our cost of capital by maintaining an appropriate capital structure with a balance between equity and net debt. The primary sources of our net debt include our €2.5 billion Guaranteed Euro Medium Term Note Programme and our €750 million Syndicated Revolving Credit Facility. 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.

Our free cash flow priorities remain unchanged. We are focused on maintaining investment grade credit metrics, undertaking selective capital investment opportunities and supporting the ordinary dividend. We believe that a strong and stable financial position, supported by an investment grade credit rating, increases our flexibility and provides opportunities to access capital markets throughout the business cycle, allowing us to take advantage of strategic opportunities when they arise.

We pursue a dividend policy that reflects our strategy of disciplined and value-creating investment and growth, with the aim of offering shareholders long-term dividend growth.

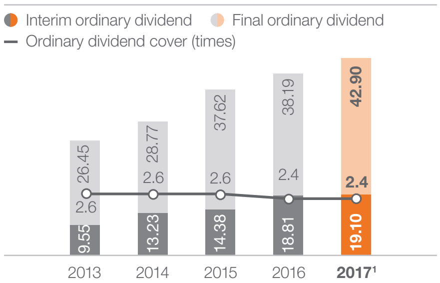
We target an ordinary dividend cover range of two to three times underlying earnings on average over the cycle, although the payout ratio in each year will vary in accordance with the business cycle. Payment of dividends is subject to us having sufficient distributable reserves available, and, at present, the Group has a significant level of distributable reserves.

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.

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 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. 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.

Total ordinary dividends per share
euro cents

62 euro cents



1 In addition, a special dividend of 100 euro cents per share has been proposed

Strategic risk management

The industries and geographies in which we operate expose us to specific risks. These include:

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

These risks are long term in nature and accepted by the Boards as they are directly related to the Group's strategy and operating footprint. The Boards continue to monitor our exposure to these risks and investment decisions are evaluated against our exposures and the established tolerance levels for any individual strategic risk. Our conservative funding model and low level of financial leverage provide some protection against these risks, while we continually monitor key trends impacting our business, taking early and decisive action to mitigate emerging risks where necessary.

34 Our principal risks

Near-term 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.

Peter Oswald
Chief Executive Officer

Andrew King
Chief Financial Officer

Our key performance indicators

Tracking our progress

We track our long-term performance against strategic, sustainable development, and financial key performance indicators.

These key performance indicators (KPIs) are intended to provide a broad measure of Mondi's performance. We set individual targets for each of our business units in support of these Group KPIs.

Our Remuneration report describes how our executive directors and senior management are remunerated in line with these KPIs. In particular, the executive directors are set specific targets relating to ROCE, underlying EBITDA and safety for purposes of the Bonus Share Plan and on Total Shareholder Return and ROCE for the Long-Term Incentive Plan.

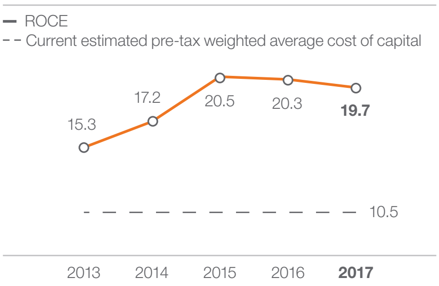
113 Remuneration report

Strategic

20 Strategy review

Return on capital employed (ROCE)

%



ROCE provides a measure of the efficient and effective use of capital in our operations.

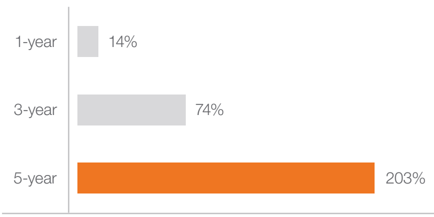
We compare ROCE to our current estimated Group pre-tax weighted average cost of capital to measure the value we create.

2017 performance

ROCE of 19.7% reflects an industry-leading performance.

Total shareholder return (TSR)

%



TSR provides a market-related measure of the Group's progress against our objective of delivering long-term value for our shareholders.

TSR measures the total return to Mondi's shareholders, including both share price appreciation and dividends paid.

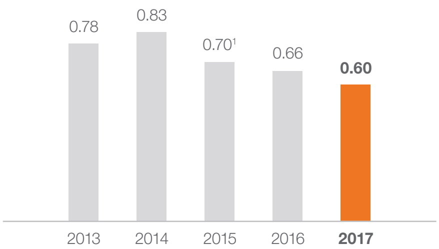
2017 performance

Mondi realised a one-year TSR of 14% and recommended a total ordinary dividend of 62.0 euro cents per share and a special dividend of 100.0 euro cents per share.

Sustainable development

42 Sustainability performance

Total recordable case rate (TRCR)
per 200,000 hours worked



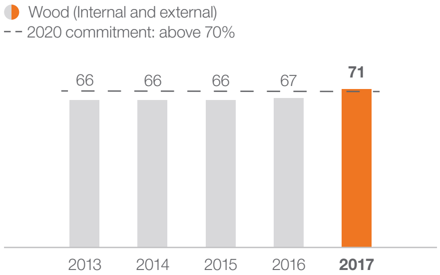
1 2015 baseline for calculating progress against 2020 commitment is 0.76, which has been adjusted to include acquisitions

The safety and health of all our employees and contractors is of paramount importance. Our goal is a zero harm workplace.

2017 performance

While our overall TRCR has improved by 21% against the 2015 baseline, we were deeply saddened by the fatalities, life-altering injuries and missing person (presumed deceased) during the year.

Sustainable fibre supply
% FSC- or PEFC-certified wood procured



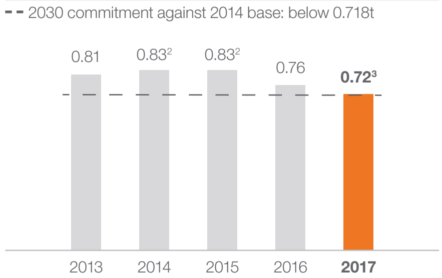
Securing a sustainable source of fibre for our integrated pulp and paper mills is critical to the long-term sustainable success of these operations.

We are committed to maintaining 100% FSC-certified forests and at least 70% of procured wood from FSC- or PEFC-certified sources by 2020.

2017 performance

Our FSC- or PEFC-certified wood procured now stands at 71%, on track with our 2020 commitment.

Total specific CO_2e emissions[1]
tonnes per tonne of saleable production



1 From our pulp and paper mills
2 2014 and 2015 restated due to adjusted production volumes
3 Progress against 2030 commitment is calculated excluding Ružomberok mill from 2014 based on 0.844 (2014) and 0.717 (2017)

We have continually focused on making our business less carbon intensive to address climate impacts.

We are committed to a 15% reduction in specific CO_2e emissions by 2030 against our 2014 baseline.

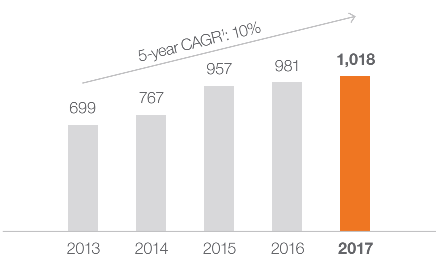
2017 performance

To date, we have reduced our specific CO_2e emissions by 15%, meeting our 2030 commitment. We have adopted a new science-based target for production-related CO_2 emissions intensity to 2050.

Financial

56 Group financial performance

Underlying operating profit
€ million



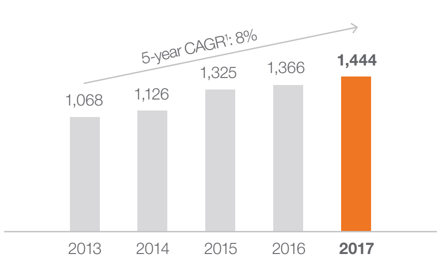
1 Compound annual growth rate

By excluding special items (which impact year-by-year comparability), underlying operating profit provides a measure of the operating performance of the Group and absolute growth in profitability of the operations. We target improving profitability across our business.

2017 performance

4% increase in underlying operating profit to €1,018 million.

Underlying EBITDA
€ million



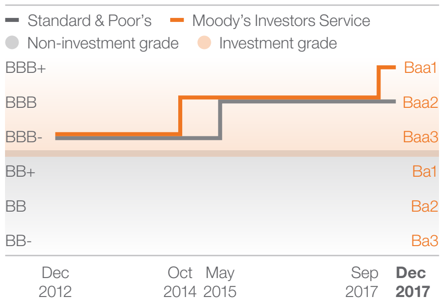
1 Compound annual growth rate

Underlying EBITDA provides a measure of the absolute growth in the cash generating ability of the Group.

2017 performance

Underlying EBITDA of €1,444 million represents a 6% increase.

Investment grade credit rating



We aim to maintain investment grade credit ratings to ensure we have access to funding for investment opportunities through the business cycle.

2017 performance

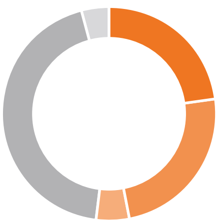
Moody's Investors Service upgraded the Group's credit rating to Baa1 (stable outlook), and our BBB credit rating from Standard & Poor's was reaffirmed and put on positive outlook.

Our external context

Challenges and opportunities in the global packaging market

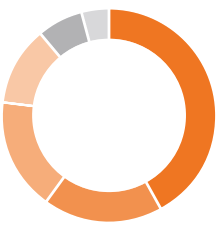
We seek opportunities and manage risk by monitoring and leveraging the trends affecting the global packaging industry. By responding proactively, we can shape our own future.

Global packaging by region[1]
% total market



Europe	23
North America	24
Middle East and Africa	5
Asia-Pacific	44
Central and South America	4

Global packaging by product[1]
% total market



Fibre based	42
Rigid plastic	18
Flexible (plastic and foil)	17
Metal	12
Glass	7
Other	4

1 Smithers Pira, The Future of Global Packaging to 2022

The global packaging market continues to grow. Demand was estimated at around $851 billion in 2017, around 3% more than the previous year, driven by improved economic conditions globally, and demographic and socio-economic changes increasing the need for more convenient packaging. Trends include an increasingly urbanised world, an ageing population in developed countries, and an emerging middle class in developing economies. Digitalisation and the ongoing development of new retail channels have also fostered the need for right-sized packaging, especially for e-commerce. Increased packaging consumption and the rise of the conscious consumer means packaging producers have a responsibility to develop more sustainable solutions.

Europe and North America account for around half of the packaging market. Asia continues to increase its share of global packaging consumption, currently representing around 44%, driven by growing packaging needs in China and other Asian economies.

Mondi's focus is on delivering packaging solutions to our customers along the fibre-based packaging value chain and in consumer flexible plastic-based packaging, primarily in Europe, Russia, Middle East and North Africa, North America and South Africa.

Fibre-based packaging

Containerboard and corrugated packaging

European consumption of containerboard is around 35 million tonnes[1]. Stronger European economies and e-commerce developments led to an estimated 5%[2] growth in 2017. Limited capacity additions and lower import levels contributed to a tight supply and demand balance.

We are the leading producer of containerboard in emerging Europe and the second largest producer of virgin containerboard in Europe. Going forward, we expect European demand for containerboard to grow at an average of around 3%, with recycled grades growing faster than virgin-based grades. On the supply side, no significant virgin containerboard capacity additions are expected in Europe in the next three years, while around 3 million tonnes of recycled containerboard capacity is expected to come on stream from 2018 to 2020. This new capacity could cause short-term price volatility, but based on the current demand outlook, it should be absorbed in the medium term.

Our Corrugated Packaging business saw strong organic growth of 6% during the year in our core region of central and eastern Europe, where Mondi is a leading supplier.

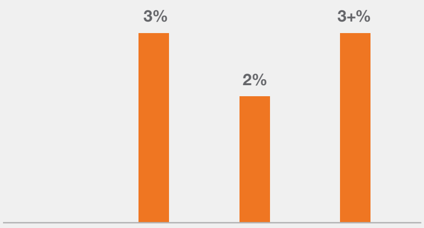
Kraft paper and industrial bags

We are the largest producer of kraft paper in Europe (our core market) and globally. Sack kraft paper is the primary input for industrial bags where we are also a global leader, while focusing on Europe, Middle East and North Africa, and North America.

Kraft paper includes sack kraft paper and speciality kraft paper. Sack kraft paper is used by Mondi and other converters to make strong and durable industrial bags principally for cement, building materials, agriculture, food, chemicals, and other industrial applications. Speciality kraft papers are used to make a range of mainly consumer products, from retail shopper bags to consumer flexible packaging. We estimate that Europe consumes around 4 million tonnes of kraft paper annually with demand driven by stable construction markets, increased general consumption, especially in emerging Europe, and increasing demand for sustainable paper solutions replacing certain plastic applications.

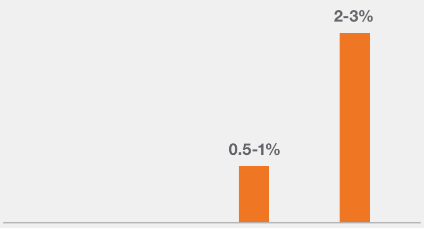
Going forward we expect European kraft paper demand to grow between 1% and 2% annually. On the supply side, one new sack kraft paper machine started in Russia at the end of 2017 and two new machine glazed speciality kraft paper machines are expected to come on stream. We expect these capacity additions to be in line with demand in the medium term.

European containerboard demand growth and capacities 2018-2020E



	Total	Virgin	Recycled
Market demand growth (mt)	3.3	0.5	2.8
Announced capacities (mt)	3.3	0.3	3.0

Sack and speciality kraft paper demand growth and capacities 2018-2020E



	Global sack kraft paper	European speciality kraft paper
Market demand growth (mt)	0.1	0.2-0.3
Announced capacities (mt)	0.1	0.2

1 RISI, European Paper Packaging Forecast December 2017

2 CEPI Containerboard, December 2017 (deliveries to western and emerging Europe excluding CIS)

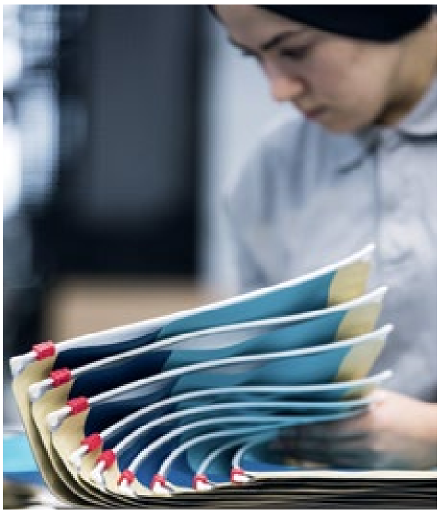
Consumer flexible packaging

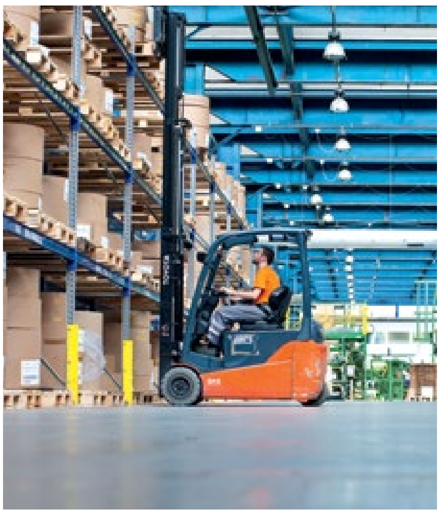
Our consumer flexible packaging solutions are used by our customers as primary packaging to protect and promote everyday consumer products, from a wide range of food categories to pet food, home care and personal care products.

We are a leading European producer of flexible packaging, with a small presence in Russia, North America and Asia.

European consumer flexible packaging consumption was estimated at around €14 billion[3] in 2017. Mondi's main markets are growing between 2% and 4% annually driven by our emerging European footprint and focus on high-growth product areas such as pet food.

3 PCI Wood Mackenzie: Flexible Packaging, European Supply/Demand report, 2017





Our external context

We are well positioned to leverage global industry trends

Demand for packaging is closely linked to economic development. Growth in consumer spending and industrial production will continue to drive demand for packaging in the future. Beyond economic factors, there are a number of distinct drivers that shape the future of the packaging industry. We are well positioned to benefit from the opportunities these trends will bring, and to address the challenges the industry may face.

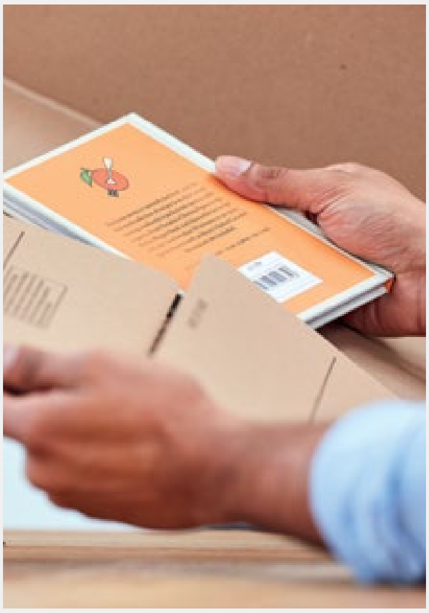
Digitalisation and interconnectedness

Digitalisation continues to reshape the world we live in where hundreds of millions of people and billions of devices are increasingly connected, and where information is generated and distributed at unprecedented speed and scale. Globalisation and increasing interconnectedness have generated complex supply chains where increased transparency in how we do business is needed, creating opportunities for business to drive transparent, inclusive and productive value chains using digital technologies. Online retail continues to grow, creating opportunities for e-commerce solutions. Our customers require efficient solutions to protect and track goods in transit while optimising packaging requirements and minimising waste.

Why we are well positioned

Our portfolio of packaging papers, corrugated packaging solutions and paper-based e-commerce bags are well positioned to benefit from the increasing demand for the protection of goods in transit and the possibility to differentiate, enhancing the consumer experience upon delivery. Increasingly complex and longer supply chains require stronger fibres to meet tough requirements, which our virgin packaging papers can provide. Our corrugated packaging business continues to work with our customers to offer improved product designs including adjustable packaging solutions, optimised board structures and faster deliveries.

We promote transparency along our value chain through active engagement with customers, consumers and the wider public about how we do business and increase use of digital technology to standardise and strengthen our social and environmental practices along the value chain.



C-folder
Resourceful and frustration free packaging supports e-commerce growth, and links retailers and brands with consumers. We offer customers a wide range of products including C-folder for the efficient and environmentally responsible packaging of flat items like books. End-users want their shipment to arrive intact, and then be easy to open and recycle. Consumers are also able to return goods using the double closing feature.

Enhancing brand power

Global brands are under pressure, competing with private label and emerging local players. Digitalisation gives consumers access to vast and detailed information. Fierce competition continues in the traditional retail channels, where e-commerce has added additional pressure to an already competitive landscape. Communicating brand values effectively and enabling product differentiation is crucial to our blue chip and hidden champion customers.

Why we are well positioned

Packaging is key to our customers to ensure it upholds their brand values and enhances consumer experience. We continue to partner with our customers to find a range of innovative and appealing packaging designs that portray our customers' brand values effectively and differentiate them either on the store shelf or when their customer receives the product at home.

We have a range of packaging papers and corrugated packaging solutions that help optimise packaging in transport and reduce costs along the value chain. Our shelf-ready packaging and point-of-sale display solutions help our customers reduce handling costs while enhancing shelf attractiveness thanks to our high-quality print solutions.

Flexible packaging
People love the new Coco Pops® flexible packaging because it looks great, it's easy to open and then close again, and 100% airtight to keep their cereal perfectly fresh. With its glossy high-quality print finish on all surfaces, this form fill-and-seal packaging solution stands out on the shelf, boosting sales and increasing brand awareness.

Convenience

Consumers want packaging that is safe and convenient. We live in a fast-paced world, with increasingly time-constrained consumers, evolving lifestyles, a rising middle class in emerging markets, more women in the workforce, smaller households and an ageing population in the developed world. Our customers want to offer their customers (the end-consumer) smaller portions, hassle-free opening, reclosability features, extended product shelf-life and on-the-go solutions, all contributing to more convenient products that better suit their lifestyle.

Why we are well positioned

We understand that convenience is a matter of lifestyle, values and habits. We design packaging that meets consumers' diverse functionality requirements and helps them quickly identify their desired product on the shelf. We work with our customers to find the best combination of convenience features to ensure products are easy to use, easy to store, and stay fresh longer. Options include stand-up pouch designs, easy-pouring spouts, resealing zippers, strong handles and multi-barrier layers.

CornerPack
In response to consumers' growing appetite for snacks on-the-go, we developed a new packaging solution with easy-to-use parallel semi-circular openings. Consumers simply tear the corner open along the highly intuitive scoring line of their choice giving them full control over the size of the opening and avoiding spillage.

Sustainability

There is an increasing need for more responsible packaging. Significant environmental challenges, including climate change, industrial pollution and waste, resource scarcity and degraded ecosystems, have given rise to more conscious consumers, with customers and other stakeholders expecting producers to use natural resources responsibly and minimise emissions and waste. There are also opportunities for packaging solutions to contribute to sustainability by reducing food waste, driving responsible sourcing of natural resources, and promoting responsible consumption.

Advantage MF EcoComp
We developed a unique speciality kraft paper for organic kitchen waste paper bags. It is water-repellent to ensure the bag doesn't get soggy, and fully biodegradable and compostable so the whole bag can be thrown in the composting bin. Additional benefits include reduced odours and lighter-weight for transportation.

Why we are well positioned

We offer fibre-based recyclable and biodegradable packaging made from renewable resources. Our light-weight packaging solutions protect products without compromising strength.

Our consumer flexible packaging products require less material than rigid alternatives (plastic, glass or metal), less energy for transport and provide excellent barrier properties to prevent food waste and enhance shelf-life. With the growing strategic importance of consumer packaging globally, and acknowledging the environmental challenges that plastic-based packaging can involve, we are committed to addressing the challenges of plastic waste in collaboration with key partners and stakeholders along the value chain. We continue to communicate the sustainability value of our packaging solutions and drive responsible sourcing and consumption of natural resources.

42 Sustainability performance
73 Consumer Packaging

Our principal risks – proactive approach to risk management

Our internal control environment is designed to safeguard the Group's assets, ensure compliance with laws and regulations and provide reasonable assurance that the Group's business objectives will be achieved.

Risk management is by nature a dynamic and ongoing process. Our well-defined 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.

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 principal risks within the risk tolerance levels established.

The details of the review and the risk management framework and processes on which the Group's risk review is based are set out below. This report only addresses our most significant risks.

Our risk management framework

Our risk management and internal control framework is designed to address all the significant strategic, financial, operational, and compliance risks that could undermine our ability to achieve our business objectives in the future.

The Boards have overall responsibility for setting the Group's strategy and have put in place procedures for identifying, evaluating, and managing the related risks. They have approved the Group's risk management framework and are responsible for monitoring and maintaining the effectiveness of the Group's risk management activities and internal control processes. The Boards determine the Group's risk appetite, using a risk rating matrix which takes into consideration both the likelihood and the magnitude of the impact in the event that the risk event occurs. The risk rating matrix is based on the residual risk that the Group faces after taking into consideration the internal control environment and other mitigating factors. The Boards also consider changes in current principal risks and review emerging risks during the year. The Boards have established specific risk tolerance levels for each category of risk.

The audit committee is responsible for reviewing the adequacy and effectiveness of the Group's internal control and risk management processes. The committee performs an annual review of the risk management policy and plan, including consideration of acceptable risk tolerance levels for the Group. Each of the Group's significant risks are reviewed in detail by the audit committee through the course of the year, considering the detailed risk description, the controls and mitigating actions in place and the resultant residual risk exposure. As in prior years, in 2018 the committee will continue to focus on the significant risks to the Group and the actions taken to mitigate these risks.

The sustainable development committee monitors and reviews material safety, health, environment and other sustainable development risks. Sustainability risks are considered throughout the Group and on an annual basis the sustainable development risks are reviewed and updated at both business unit and Group level by the Group sustainable development team before being reviewed and approved by the executive committee and the Boards.

Business units are required to conduct an annual, detailed review of their risks and compile a risk register which is reviewed and approved by the individual operating committees. The most significant risks are reported to the Group executive committee and subsequently to the audit committee and Boards.

The risk management process ensures that the various operating committees in the business units review the principal risks in their respective businesses and identify the actions and controls in place to mitigate the risks. Management assurance is provided on both a formal and an informal basis and risk management is embedded in all decision-making processes, with ongoing review by the Boards and risk assessments forming part of all investment decisions.

In establishing the overall risk management framework:

- → The Boards and their committees have approved the Group's financial, business conduct, operating, and administrative policies, including those relating to delegation of signing authorities and information security. The policies provide a framework for the Group's internal control environment and outline required standards of behaviour. Business units are required to ensure that they adhere to approved Group policies and that they have implemented their own supporting policies where appropriate.
- → In line with the approved delegation of authorities (such as the approval of major capital investments, acquisitions, and disposals), specific matters are reserved for board or executive committee approval.
- → The audit committee approves the annual internal audit plan and the Boards approve the annual budget and three-year plan.

Our internal control environment

With our structured approach the control environment is subject to regular oversight and review to ensure that there are no significant deficiencies, that control weaknesses are identified and addressed, and that new or emerging risks are identified early and monitored regularly.

The three levels of assurance in our internal control environment comprise:

Operational management

- The Group's organisational structure is regularly reviewed. Where circumstances dictate, changes to the organisational structure are recommended to the executive committee or Boards to ensure it remains relevant.
- Key policies and procedures covering all main areas of business conduct are approved by the Boards and each business unit is required to adhere to these overall Group policies.
- Management is responsible for continually reviewing their entity's operating and financial performance and for preparing and reviewing monthly management accounts.
- Twice a year, all financial managers are required to complete an internal control assessment and provide written confirmation of compliance with Group policies and procedures. This formal confirmation highlights any control weaknesses or deficiencies identified.

Management review and assurance

- Management is responsible for continually reviewing the Group's operating and financial performance, including monthly management accounts. The Group's reporting cycle includes the monthly flash and management reports, a quarterly outlook, and the annual budget and three-year plan. Detailed monthly management reports and variance analyses comparing actual and planned results are prepared. These regular reviews are designed to ensure ongoing monitoring of financial performance and early identification of potential issues and/or emerging risks.
- A number of Group functions have been established to provide oversight, central coordination, and management of certain specialised risk areas. These include: information technology, Group and business unit controlling, sustainable development, safety and health, treasury and tax. Each function has board-approved policies in place against which conduct throughout the Group is assessed.
- Regular reviews of financial and operating performance, progress of significant capital investment projects and plans, and a detailed assessment of current market conditions take place at Group level and, in more depth, at business unit level.

Independent assurance

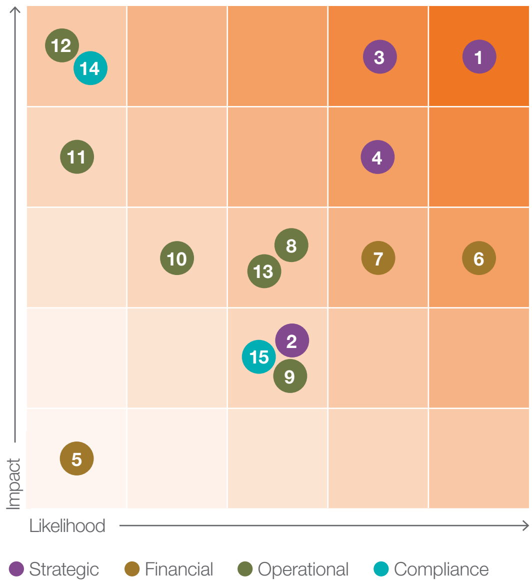
- The Group has a centrally coordinated internal audit function, which makes use of local competency, and reports directly to the audit committee.
- Speakout provides a confidential hotline for reporting irregularities. Follow up is coordinated by internal audit and reported on at each audit committee meeting.
- External assurance is provided through external audit which is designed to detect material errors and material irregularities that impact the financial statements.
- The Group is registered with, and subject to, regular audits by a number of standard setting authorities, such as ISO.
- Mondi is subject to regular review and vetting by external regulatory bodies as well as non-regulatory parties, including annual insurance assessments, sustainable development assurance, and information security penetration testing.

Our principal risks

Our most significant risks

Over the course of the past year, the audit committee has reviewed each of the principal risks set out below. In evaluating the Group's risk management and internal control processes, the committee has considered both internal and external audit reports and received confirmation from the finance heads of the business units that financial control frameworks have operated satisfactorily.

The majority of the Group's most significant risks are long-term in nature and in general do not change significantly in the short-term. 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.



1. Industry productive capacity
2. Product substitution
3. Fluctuations and variability in selling prices or gross margins
4. Country risk
5. Capital structure
6. Currency risk
7. Tax risk
8. Cost and availability of raw materials
9. Energy security and related input costs
10. Technical integrity of our operating assets
11. Environmental impact
12. Employee and contractor safety
13. Attraction and retention of key skills and talent
14. Reputational risk
15. Information technology risk

Strategic risks

Risk tolerance:
High

Key person responsible:
Peter Oswald (Chief Executive Officer)

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.

1 Industry productive capacity

Potential impact

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.

Monitoring, mitigation and independent assurance activities

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.

2 Product substitution

Potential impact

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.

Monitoring, mitigation and independent assurance activities

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.

3 Fluctuations and variability in selling prices or gross margins

Potential impact

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.

Monitoring, mitigation and independent assurance activities

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.

4 Country risk

Potential impact

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.

Monitoring, mitigation and independent assurance activities

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

Risk tolerance:
Medium to Low

Key person responsible:
Andrew King (Chief Financial Officer)

Our approach to financial risk management is set out in more detail in the Strategy review and Group financial performance. 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.

5 Capital structure

Potential impact

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.

Monitoring, mitigation and independent assurance activities

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.

Our principal risks

Financial risks

6 Currency risk

Potential impact

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.

Monitoring, mitigation and independent assurance activities

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.

7 Tax risk

Potential impact

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.

Monitoring, mitigation and independent assurance activities

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 intra group transactions in accordance with Organisation for Economic Cooperation and Development guidelines.

Operational risks

Risk tolerance:
Low

Key people responsible:
Peter Oswald (Chief Executive Officer), John Lindahl (Group Technical and Sustainability Director)

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.

8 Cost and availability of raw materials

Potential impact

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 (CoC) certified or Controlled Wood and initiatives to promote the use of wood as a renewable energy source.

Monitoring, mitigation and independent assurance activities

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.

9 Energy security and related input costs

Potential impact

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.

Monitoring, mitigation and independent assurance activities

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.

10 Technical integrity of our operating assets

Potential impact

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.

Monitoring, mitigation and independent assurance activities

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.

11 Environmental impact

Potential 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.

Monitoring, mitigation and independent assurance activities

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.

12 Employee and contractor safety

Potential impact

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.

Monitoring, mitigation and independent assurance activities

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.

Our principal risks

Operational risks

13 Attraction and retention of key skills and talent

Potential impact

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.

Monitoring, mitigation and independent assurance activities

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

Risk tolerance:
Low

Key person responsible:
Andrew King (Chief Financial Officer)

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.

14 Reputational risk

Potential impact

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.

Monitoring, mitigation and independent assurance activities

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.

15 Information technology risk

Potential impact

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.

Monitoring, mitigation and independent assurance activities

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.

Viability statement

As part of the approval of this integrated report, the Boards have assessed the Group's prospects and viability. The Boards believe that the three-years to December 2020 is an appropriate period over which a reasonable expectation of the Group's longer-term viability can be evaluated.

In coming to this view, the Boards have considered the inherent volatility in commodity prices and exchange rates, the time taken for new investments in pulp and paper production capacity to be introduced into the market, typical new product development cycles, and the Group's capital structure. Given the strategic risks described above, the Boards believe that the ability to assess the Group's longer-term viability beyond this period becomes increasingly less predictable.

Mondi's geographical spread, product diversity, and large customer base mitigate potential risks of customer or supplier liquidity issues. Ongoing initiatives by management in implementing profit improvement initiatives, which include ongoing investment in operations, plant optimisation, cost-cutting, and restructuring and rationalisation activities, have consolidated the Group's leading positions in its chosen markets.

The Boards have considered the Group's current financial position, strategy and plans for the next three years, marking the end of the Group's formal planning horizon. The Group's budget and plan has been tested for severe, but plausible, downside scenarios linked to the Group's principal risks. These include lower packaging and uncoated fine paper prices and weaker demand. Given the Group's geographical spread, the potential impact of exchange rate fluctuations has also been evaluated, including a weaker US dollar/euro exchange rate and stronger emerging market currencies. Based on the results of these scenarios, the Boards are satisfied that the Group will be able to respond to such circumstances through various means which may include a reduction of capital expenditure and further rationalisation and/or restructuring, to ensure that the Group can continue to meet its ongoing obligations.

The Group meets its funding requirements from a variety of sources as more fully described in the financial statements. The Boards are satisfied that the Group will have sufficient liquidity to meet its needs over the planning horizon. In the scenarios evaluated, the Group remains within its key financial covenant ratio in terms of which its net debt to trailing 12-month underlying EBITDA ratio must not exceed 3.5 times.

Taking into account the Group's long-term strategy, the principal risks described above, and the results of the downside scenario assessments, the directors have a reasonable expectation that the Group remains viable over the period of the assessment.

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 Integrated report and financial statements 2017.

Growing responsibly

Built on our past achievements and designed for our future success, our Growing Responsibly model is the framework through which we respond to our sustainability challenges and opportunities.

As one of the Group's strategic value drivers, it shapes our long-term response to sustainability issues and enables us to demonstrate, monitor and improve our sustainability performance in everything we do, across the entire value chain.

Growing Responsibly applies to all our operations Group-wide. It's designed to clearly articulate the business value of our sustainability efforts – to the ecosystems we rely on, to our business and to our stakeholders, including employees and contractors, customers, communities, suppliers and others.

The model covers 10 action areas which reflect those aspects of sustainability that are most relevant for Mondi and for our stakeholders. Within these action areas, we have made 16 public commitments which we aim to achieve by 2020, along with a carbon emissions reduction commitment which runs to 2030.

In addition to driving our response to sustainability issues most relevant to our business, these commitments demonstrate our positive contribution towards achieving the UN Sustainable Development Goals (SDGs) and other global initiatives. We have highlighted the strongest links between our key action areas and the SDGs on this page.

Online Sustainable development report 2017
www.mondigroup.com/sd17

Solutions that create value for our customers

UN SDGs: 12 Responsible consumption and production

We encourage sustainable, responsibly manufactured products and closer collaboration with our customers and partners.

53

Relationships with communities

UN SDGs: 4 Quality education; 9 Industry, innovation and infrastructure

We aim to enhance our social value to communities through effective stakeholder engagement and meaningful social investments, using global frameworks that enable us to address local priorities.

52

Supplier conduct and responsible procurement

UN SDGs: 8 Decent work and economic growth; 12 Responsible consumption and production

We're taking steps to encourage greater transparency and promote fair working conditions by developing a responsible, inclusive and sustainable supply chain.

53

Biodiversity and ecosystems

UN SDGs: 6 Clean water and sanitation; 12 Responsible consumption and production; 15 Life on land

We promote ecosystem stewardship to sustain services that our businesses and communities rely on through sharing best practices and continued, long-term collaboration with our stakeholders.

53

Constrained resources and environmental impacts

UN SDGs: 6 Clean water and sanitation; 9 Industry, innovation and infrastructure; 12 Responsible consumption and production

Our focus on operational excellence drives efficiency improvements to ensure responsible use of water, reduction of waste and emissions, the cascading use of wood and development of resource-efficient products.

51

Employee and contractor safety

UN SDGs

Our goal is zero harm to employees and contractors, and a safe and healthy workplace.

45

A skilled and committed workforce

UN SDGs

We're developing a culture that aims to inspire, engage and develop all our people to reach their full potential, while ensuring our business can continue to grow and succeed.

46

Fairness and diversity in the workplace

UN SDGs

The diversity of our workforce is one of our greatest strengths. We promote fair working conditions for a better, more diverse workplace.

47

Sustainable fibre

UN SDGs

We're promoting positive change to support credible certification systems that will meet increasing demand for sustainable fibre. We also manage our own forests sustainably.

48

Climate change

UN SDGs

We consider climate change in our business decisions through sound investments to improve energy efficiency and responsible procurement of wood and fibre. Our sustainably managed forests also play an important role in storing carbon.

50

"Through this model, we're able to demonstrate, monitor and improve our sustainability performance as well as our contribution towards achieving the UN Sustainable Development Goals."

Stephen Harris
Chairman of the DLC sustainable development committee

Online Sustainable development report 2017
www.mondigroup.com/sd17

Growing responsibly: our progress in 2017

Our Growing Responsibly model continues to shape our long-term response to sustainability issues. With a firm focus on sustainability governance, the model's 10 action areas enable us to demonstrate, monitor and improve our sustainability performance.

Sustainability governance

Responsible governance is fundamental to building a resilient and successful organisation, one in which sustainability is embedded at all levels. Our Boards and committees provide the leadership necessary to implement the principles of good corporate governance across the Group, ensuring all decisions and actions are based on integrity, accountability, fairness and transparency. We aim to work openly and transparently with our stakeholders across the value chain, responding to their needs to create an inclusive and fair business. Robust policies, standards and management systems help us meet our commitments and guide our businesses to address risks and opportunities.

Our Sustainable Development Governance Policy supports our overall approach and is further supported by the following policies, which apply to all our owned and managed operations:

→ Safety and Occupational Health
→ Labour and Human Rights
→ Sustainable Forestry
→ Energy and Climate Change
→ Environment
→ Supply Chain and Responsible Procurement
→ Product Stewardship
→ Communities

www.mondigroup.com/sustainability/governance-of-sustainability

These include some of our longer-term sustainability commitments and inform the setting of targets and commitments for each new period. The policies have helped us to standardise our performance, improve according to best practice and identify gaps, operate more efficiently and responsibly, and engage our employees to understand our principles.

We apply due diligence processes to our practices and performance to ensure alignment with our policies. These include: monthly and annual monitoring of our operations' sustainability performance and regular reporting to the sustainable development committee; active and voluntary use of external assurance and verification of our external sustainability reporting; internal audits to monitor operations' adherence to our standards; training and communication on current and future regulatory requirements and material sustainability issues; and the use of externally certified standards at operational and Group level.

We updated and restructured our sustainable development policies in 2016 with the support of the DLC sustainable development committee, relevant Mondi teams and external experts. Policy developments were informed by current best practice and aligned with our Growing Responsibly model. In 2017, we undertook another review to ensure that our policies met the requirements of the UK Modern Slavery Act 2015.

The Boards approved a new version of the Group's diversity policy in 2017.

External recognition

Our consistent efforts in sustainability performance have received recognition by a number of external corporate ratings and rankings. Some of these are included below.

WE SUPPORT THE GLOBAL COMPACT

→ Advanced reporter since 2008
→ 2016 member of UN Global Compact 100

The CEO Water Mandate

→ Joined 2015

FTSE4Good

→ Member since 2008

CDP DISCLOSURE INSIGHT ACTION

→ A List for Water
→ Leadership for Climate and Forests disclosures

carbonclear

→ Ranked sixth FTSE100 in 2017

ETHIBEL

→ Member since 2012

EURONEXT vigeo eiris

→ Indices World 120
→ Indices Europe 120
→ Indices UK 20

ecovadis SUPPLIER SUSTAINABILITY RATINGS

→ GOLD recognition level
→ Top 1% of all suppliers

1 Employee and contractor safety

Commitments

- → Avoid work-related employee and contractor fatalities
- → Prevent life-altering employee and contractor injuries
- → Reduce TRCR by 5% compared to 2015 baseline, including new acquisitions

To ensure the safety and health of our employees and contractors, and to complement our rigorous safety procedures and controls at Mondi, our focus this year has been on introducing a 24-hour safety mindset across the Group. Only when safety becomes an unconscious behaviour 24 hours a day will we be able to ensure our people get to work safely, and home safely, every day.

We were deeply saddened to have had two fatalities in 2017, and one employee missing (presumed deceased) in our Syktyvkar (Russia) operation during preparation for river bank cleaning activities. 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 in 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: an employee lost four fingers at our Ascania operation (Germany) when coming into contact with rotating equipment; a contractor lost sight in one eye after an angle grinder disc broke during the annual shut at our Syktyvkar mill; and another contractor had a partial finger amputation at our Frantschach mill (Austria) when coming into contact with rotating parts of a vacuum dust extraction unit during housekeeping activities. We had 217 recordable cases in our operations in 2017 (2016: 237). This equates to a TRCR of 0.60, a 21% reduction compared to our 2015 baseline of 0.76 (adjusted to include acquisitions). Investigations into all the above incidents were conducted to identify the causes and contributing factors in order to prevent similar incidents from happening again.

Risk-based approach

Our risk-based approach is central to how we manage safety and health. Every operation has and continues to identify their top risks and develops management plans to engineer them out of the business. Where the latter is not feasible or possible, robust controls and procedures are introduced to reduce the risks. In 2017, the second phase of work commenced to identify and address the next set of top risks in each operation. Our new Task Risk Management Methodology provides a practical, easy to understand approach to conducting pre-task risk assessments. We also finalised and rolled out a new Permit to Work methodology.

Measuring progress: lead, current and lag indicators

In addition to conventional safety metrics such as TRCR which measure past safety performance ('lag' indicators), we use 'current' and 'lead' indicators. Current indicators measure the degree to which safety has been institutionalised and how well our management systems have been executed, for example management risk-focused audits. Lead indicators concentrate on issues that are key to successful safety performance, such as action tracking, critical safety training and the revision of risk assessments using our new Task Risk Management Methodology. Performance against current and lead indicators form part of our senior managers' bonus scheme, with targets assigned to each indicator as part of the annual performance and development review (PDR) process.

Health and wellbeing

We promote awareness of diseases such as HIV/AIDS, diabetes and tuberculosis by encouraging testing, counselling and treatment. In 2017, 3,530 employees and contractors (2016: 3,273) participated in the HIV/AIDS voluntary programme in our South African operations, with 3,307 opting for testing (2016: 2,047). The higher participation and testing in 2017 was due to Mondi's support of efforts to increase HIV/AIDS testing in South Africa. In addition, we offer health and wellbeing facilities and wellness programmes at many locations, for example our wellness centre at Syktyvkar and the Štětí (Czech Republic) 'Mondi (for) Life' initiative, which promotes sports, health and recreation.

Sustainability performance

2 A skilled and committed workforce

Commitment

→ Engage with our people to create a better workplace

With around 26,300 employees across 31 countries, our culture aims to inspire, engage and develop all our people to reach their full potential and ensure our business continues to grow and succeed. Employee engagement is integral. By hearing, respecting and responding to what our people say, we inspire them to deliver our Group strategy. We use both formal and informal processes to communicate and engage with employees together with regular PDRs conducted at a local level.

Employee engagement

Mondi has formal and informal processes to communicate with and engage employees across the Group. In addition to electronic communication and publications, regular local briefing sessions by managers focus on safety, operational objectives and performance, financial performance and the Group's values and culture. We also conduct regular PDRs at a local level. Our Group-wide employee survey is designed to consult employees on specific issues and track our progress.

Our last Group-wide employee survey, conducted in November 2015, was completed by 90% of employees. Detailed outcomes were reported in 2016 and resulting actions have included:

- → a best practice sharing workshop involving managing directors;
- → a new Leadership Programme for Middle Management translated into different languages for our operations;
- → an updated internal communications handbook with simplified language;
- → internal collaboration workshops; and
- → a Q&A guide to leadership communication that aims to provide all employees with the opportunity to have their questions answered by senior leaders.

Progress on these and other locally important actions is tracked in a dedicated database and reported at site level. We also conducted internal surveys and three 'pulse check' surveys in our larger mills to track the progress on our actions. In 2017 we started with 'integration' surveys in our newly acquired operations. Working with an external partner, we ran seven such surveys to receive feedback from our new employees on the integration process and to identify opportunities to strengthen their engagement. In January 2018, we launched our next global employee survey and we will report on the results in our 2018 report.

Transparency, assessment and feedback

Annual PDRs are mandatory for all office employees and line managers, including shift leaders. We use 360° feedback to allow managers to understand how employees perceive their behaviour and to identify areas for improvement. Senior leaders and line managers with at least three direct reports receive 360° feedback every three years. New leaders receive 360° feedback around six to eight months from being appointed. In 2017, we expanded this opportunity to include a wider group of employees across the business, with a total of 358 employees having received 360° feedback during the year.

Training and development

Personal development and training enhance the skills of our people and enable them to be personally accountable for upholding our principles and policies. Our induction process includes training related to our business, products and strategic value drivers, as well as our approach to sustainable development. Training is designed to empower employees and support diversity, particularly gender diversity – for example success management training with a focus on career strategies for higher management positions and career development training for young female employees. Employees in sales and marketing roles and those in positions that have, or may have, contact with competitors also complete competition compliance training.

In 2017, we devoted around 829,900 hours of employee and contractor time to training and development (2016: 790,000 hours). Roughly 37% of this training was dedicated to safety and health issues (2016: 38%). This figure does not include informal and on-the-job training, where much of our employee learning takes place.

The Mondi Academy

The Mondi Academy is our global training facility, providing core business-related training programmes to leaders, line managers and other employees. It offers high-quality training, networking and knowledge-sharing opportunities with a focus on general management, strategy, and sales and marketing. Along with other Group-wide training networks and local academies in Czech Republic, Poland, Russia, Slovakia and South Africa (which adhere to Group quality standards), it plays a key role in employee development. In 2017, 148 seminars and training modules were delivered to 1,180 participants at The Mondi Academy in Austria, along with participants in Mondi academies in Russia totalling 2,400; Slovakia 3,633; Czech Republic 298; Poland 336; and South Africa 452.

Sustainable development training

In 2017, we created a new sustainable development training module. Initially targeted at our leadership and management teams, it is structured around the 10 Growing Responsibly action areas. It covers increasingly important global issues such as business and human rights, including our response to the UK Modern Slavery Act. The training will be used as part of our induction and leadership development programme going forward. We also plan to roll out a modified version in 2018 for different employee groups with a focus on how sustainability issues relate to specific functions and roles within Mondi.

3 Fairness and diversity in the workplace

Commitment

→ Promote fair working conditions in the workplace

A diverse workforce inspires innovation and creativity and enables us to meet the needs of a wide range of stakeholders. Our objective is to engage, involve and inspire everyone who is part of the Mondi Group as we strive to create an inclusive environment where differences are valued and embraced. We have a zero tolerance policy towards discrimination and harassment, promote fair working conditions and uphold high standards of employment and human rights. Although labour and collective bargaining practices differ from country to country, basic rights and fair employment standards (including fair wages[1]) apply throughout the business. They are managed locally, guided by Group policies and standards.

Diversity and inclusion

Our policy is to treat everyone – including all our employees and contractors, whether part-time, full-time or temporary – fairly and with respect, irrespective of origin, nationality, disability, sexual orientation or gender. Opportunities for employment, engagement, promotion, training and any other benefit are based on skills and ability. We monitor gender diversity across the business and both gender and regional diversity among our senior management. We undertake a range of activities to increase the representation of women and all races at all levels. Where possible and appropriate, we provide cultural training and local coaches for employees posted to new countries to promote cultural diversity.

In 2017, we updated our diversity policy to reflect our increasing focus on diversity, taking into account evolving regulatory requirements and stakeholder expectations. The updated policy was informed by the Hampton-Alexander Review[2], which recommends that boards, as well as executive committees and their direct reports combined, should be 33% women by 2020.

1 Ensuring that wages paid for a standard working week shall at least meet legal or industry minimum standards and shall always be sufficient to meet the basic needs of our employees and to provide some discretionary income

Sustainability performance

We consider applications for employment in a fair and balanced way, seeking to cater for individual requirements, disabilities and needs. Group policy ensures training, career development and promotion is consistent and fair, including for people with disabilities as far as is possible. In the event of an employee suffering a life-altering or life-threatening injury at work, we facilitate appropriate medical treatment and rehabilitation. Every effort is made to support their continued employment with Mondi.

At the end of 2017, we had two female directors representing 25% of the composition of the Boards and one director of colour. During 2017, we also reported to the Hampton-Alexander Review that as at 30 June 2017 we had approximately 27% female representation across our executive committee and its direct reports. While the number of women on our executive committee has increased during the course of 2017, there is still further work required if we are to make progress towards 33%. One of our South African based Board members came from a historically disadvantaged community and 57% of our management team in South Africa were previously disadvantaged individuals (PDI) (2016: 47%).

Gender diversity 2017*	Male	%	Female	%
Directors	6	75	2	25
Senior leaders	286	92	24	8
Employees	20,188	78	5,701	22

* As at 31 December 2017

96 Governance

Human rights

The UN Guiding Principles on Business and Human Rights provides an effective framework for business. We're strengthening our monitoring and reporting of potential human rights issues in our operations and supply chain. The Group's Labour and Human Rights Policy states that we do not tolerate forced or child labour, human trafficking, modern slavery or any other violation of human rights in our own operations or in our supply chain. With legislation increasingly holding businesses to account, the DLC sustainable development committee is responsible for ensuring that the Group upholds those principles and responds appropriately.

Activities in 2017 include a project to identify our human rights risks and better integration of sustainability criteria relating to labour and human rights in our Supplier Relationship Management (SRM) system, fibre procurement due diligence and audit processes, purchasing policies, Code of Conduct for Suppliers, and audit protocols. We report annually on our compliance with the 10 principles of the United Nations Global Compact (UNGC)[3].

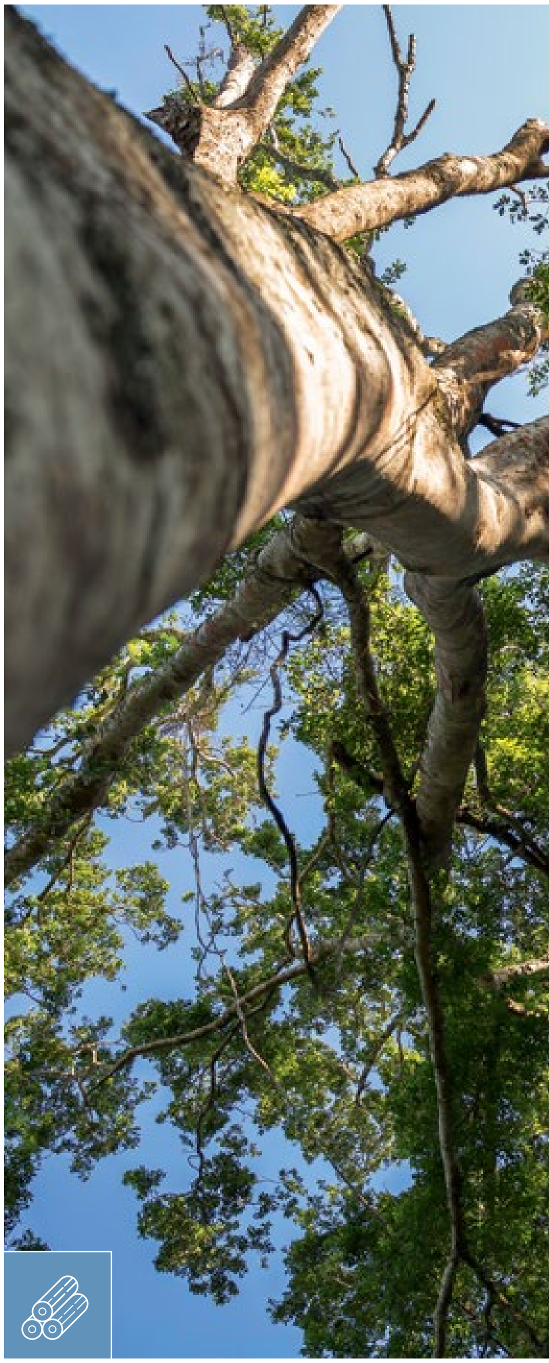
To continue to build awareness, our new training module on sustainable development places special emphasis on human rights and our response to the UK Modern Slavery Act of 2015. A more targeted training and awareness raising campaign on the risks of modern slavery in global supply chains was designed in 2017 for roll-out to employees via our intranet platform and other channels in 2018.

UK Modern Slavery Act

We support the Modern Slavery Act and its requirement for commercial organisations to prepare an annual slavery and human trafficking statement. We published our first statement in June 2017, outlining the steps we have taken, and plan to take, to ensure that slavery and human trafficking are not present in our business activities or supply chain. We updated our sustainability policies in 2016, including the addition of a new supply chain and responsible procurement policy, and the expansion and update of our labour and human rights policy to address the increasing importance of human rights issues in business supply chains. In 2017, we undertook another review to ensure our policies met the requirements of the UK Modern Slavery Act 2015. The next update of our policies is scheduled for 2018 along with an update of Operating Standards, including those related to supply chain and procurement, and labour and human rights.

2 An independent review body which builds on the work of the Davies Review to increase the number of women on FTSE boards and includes a focus to improve women's representation in senior leadership positions

3 A UN policy initiative that aligns businesses with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption

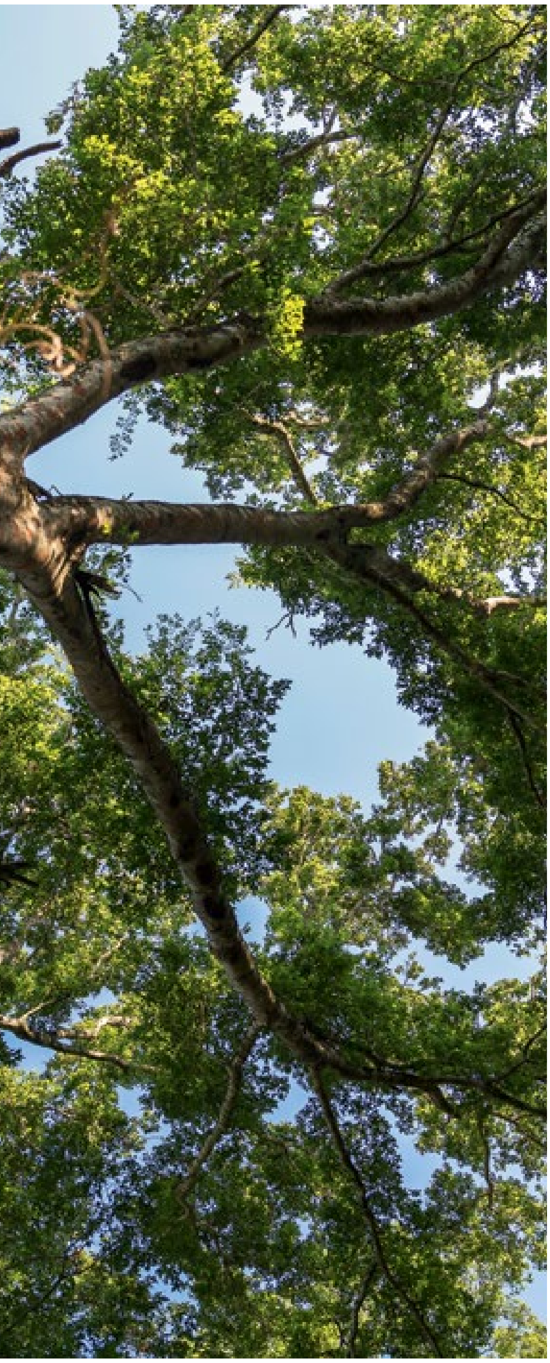


4 Sustainable fibre

Commitments

→ Maintain 100% FSC certification of our owned and leased forestry operations and promote sustainable forest management

→ Procure a minimum of 70% of our wood from FSC- or PEFC- certified sources with the balance meeting our company minimum wood standard that complies with FSC's requirements for Controlled Wood



Wood fibre is one of our primary raw materials and we work hard to provide the best assurance for our stakeholders that the fibre we use comes from responsible sources. We combine forest certification with risk assessment processes as part of our Due Diligence Management System (DDMS). Our long-term aim is to increase the proportion of our fibre from credibly certified sources and to support efforts to increase its long-term availability in the supply chain.

We maintain FSC certification of all our South African forests as well as FSC- and PEFC- certification of our Russian forests. In high-risk countries[4], we source wood only from FSC-certified forests or Controlled Wood sources. We do not source wood or products from sources that involve any of the following: violation of national and international legislation; violation of traditional and human rights; destruction of high conservation values, conversion of forest lands to plantations or non-forest use; introduction of genetically modified trees; or violation of any of the International Labour Organization (ILO) Core Conventions. None of our sourcing contributes to illegal logging or deforestation and we don't use tropical species or those listed by the Convention on International Trade in Endangered Species (CITES).

In 2017, 71% of our total procured wood was certified to FSC or PEFC (2016: 67%), with 93% of our externally procured pulp from FSC- or PEFC-certified sources (2016: 89%).

All our mills, with the exception of Pine Bluff (US), are certified to FSC and/or PEFC CoC standards.

We will extend and update our DDMS in 2018 so that it not only addresses the requirements of the European Union Timber Regulation (EUTR) but also the US Lacey Act and the Australian Illegal Logging Prohibition Act. Our revised DDMS will also include all our paper converting operations.

Our approach to responsible fibre procurement works hand in hand with our commitment to maintaining biodiversity and ecosystem services in our forestry operations. We focus on maintaining an effective network of High Conservation Value (HCV) areas and priority ecosystems, and on imitating natural dynamics for key types of ecosystems where possible. Our approach is defined in our Ecosystem Management Plans (EMPs), which form the basis for developing forest management plans. We have set aside about 25% of all our owned and leased land for conservation purposes. Our conservation network includes HCV areas, corridors and patches of natural ecosystems, and habitats of rare and endangered species.

In 2017, we signed an agreement with WWF Russia and local NGO, Silver Taiga Foundation, which summarises and supports the results of 10 years of collaboration in developing an inventory of Intact Forest Landscapes in the Komi Republic and adjacent territories. It is the first landscape-level agreement to depict core areas beyond boundaries or forest management units, and for an unlimited period of time.

Applying Controlled Wood as a minimum standard

We continue to advocate the importance of Controlled Wood as a minimum standard in the wood and fibre supply chain. Controlled Wood is integral to our ongoing commitment to increase the proportion of certified fibre used. It's our minimum requirement for procuring fibre-based products that are not certified and, with most of the world's forests still uncertified, Controlled Wood from acceptable sources is an important tool for managing the supply-demand dynamics of available responsible fibre.

4 We define high-risk countries using various filters, including: Global Forest Registry, Corruption Perception Index, and other relevant indices where necessary, as part of Mondi's Due Diligence Management System

Sustainability performance

5 Climate change

Commitment

→ Reduce specific CO_2e emissions from our pulp and paper mills by 15% by 2030 against a 2014 baseline

Our approach to climate change addresses both the risks and the opportunities in transitioning to a low carbon economy. Key focus areas include energy optimisation programmes, increasing the use of renewable biomass-based fuels, and increasing electricity self-sufficiency.

Risks and opportunities

Climate change can adversely impact our operations and disrupt our supply chain through increased frequency and intensity of water shortages, floods, storms and rising sea levels, as well as forest fires, pests and diseases that impact on our forest assets and fibre sourcing. The price of carbon and uncertainties over future carbon regulation and taxation, as well as energy availability and affordability, can also affect our industry. We believe that a strategic climate approach delivers wider business benefits. By prioritising investments in technology and equipment, we increase energy efficiency, renewable energy generation and energy self-sufficiency across our operations. This, in turn, reduces our dependency on external power suppliers and associated risks. Other opportunities and benefits of reducing our carbon intensity and increasing our use of biomass-based renewable energy include financial savings and additional revenue from the sale of green electricity to local communities and municipalities in the areas where our pulp and paper mills operate. Eight of our pulp and paper mills are located in the EU and are covered by the EU Emissions Trading Scheme (EU ETS).

We are currently reviewing the recommendations of the Task Force on Climate-related Financial Disclosures and will respond to the recommendations as part of our annual carbon disclosure to CDP[5] and in our annual Sustainable Development and Integrated Reports. This includes evaluating the scenario analysis requirements for quantifying the financial impacts and benefits of climate-related risks and opportunities.

Energy use and generation

In 2017, total energy use by our mills was 151.6 million GJ (2016: 153.1). 93.1 million GJ was consumed for pulp and paper core processes in the form of heat and electricity at our operations (2016: 93.2), 8.4 million GJ of heat and electricity was sold to the local grids (2016: 10.0), with total energy sales including green fuel amounting to 10.1 million GJ (2016: 11.6), and we purchased 5.2 million GJ electricity from external sources (2016: 6.3). The electricity self-sufficiency of our mills stood at 96% in 2017 (2016: 98%) mainly due to the reduction of energy sales. The contribution of biomass-based renewable energy sources to the total fuel consumption of our mills increased from 59% in 2014 to 65% in 2017.

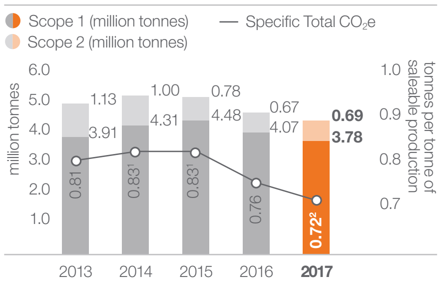
GHG emissions[6]

Pulp and paper mills

Scope 1 emissions[7] of our mills[8] totalled 3.8 million tonnes CO_2e (2016: 4.1). This equated to 0.61 tonnes CO_2e per tonne of saleable production (2016: 0.65). We increased our mills' Scope 2 emissions[9] from 0.67 million tonnes CO_2e in 2016 to 0.69 in 2017, equating to 0.11 tonnes per tonne of saleable production (2016: 0.11). All our mills use market-based factors for reporting Scope 2 emissions. Our reported CO_2e figures do not include any carbon off-setting.

In 2017 our specific GHG emissions from production and energy sales were 0.72 tonnes CO_2e per tonne of saleable production, achieving our target of 15% reduction against a 2014 baseline[10]. We have adopted a new science-based target to reduce our production related GHG emission intensity to 0.25 tonnes of CO_2 per tonne of saleable production by 2050 against a 2014 baseline of 0.59.

GHG emissions from our pulp and paper mills



1 2014 and 2015 restated due to adjusted production volumes
2 Progress against 2030 commitment is calculated excluding Raubling mill from 2014 based on 0.844 (2014) and 0.717 (2017)

Converting operations

The Scope 1 emissions of our converting operations totalled 0.15 million tonnes CO_2e in 2017 (2016: 0.14). Their Scope 2 emissions totalled 0.27 million tonnes CO_2e (2016: 0.25). Our converting operations contributed 28% of the Group's total Scope 2 emissions (2016: 27%).

Energy-related investments

To achieve our climate goals, we make targeted energy-related investments across our pulp and paper mills, mainly through recovery boilers that utilise the biomass residues of our pulp making process.

Scope 3 emissions

Our indirect emissions (Scope 3) arise from transportation of products and raw materials, employee commuting, business travel, fuel, and raw materials production. In 2017, our Scope 3 emissions were estimated to amount to 3.01 million tonnes CO_2e (2016: 2.98).

5 CDP (previously the Carbon Disclosure Project) is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts, www.cdp.net

6 We report our GHG emissions according to the Greenhouse Gas Protocol, published by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute, and have reported our Scope 1 and 2 GHG data in compliance with ISO 14064:1-2006. ERM CVS has provided reasonable assurance on our Scope 1 and 2 GHG data in accordance with ISO 14064:3-2006. See their full statement at www.mondigroup.com/sdassurance

7 Scope 1 emissions: Total GHG emissions from sources owned or controlled by Mondi and its subsidiaries. This includes CO_2e from fossil fuels and processes, Group leased/owned vehicles, waste and waste water treatment, from make-up chemicals, and from other GHG gases

8 Includes energy sales-related Scope 1

9 Scope 2 emissions: Total GHG emissions from sources that are related to generation of purchased energy outside the Group boundaries

10 Excludes Raubling mill (Germany) performance from 2014 baseline

6 Constrained resources and environmental impacts

Commitments

- → Reduce specific contact water consumption from our pulp and paper mills by 5% compared to a 2015 baseline
- → Reduce specific waste to landfill by 7.5% compared to a 2015 baseline
- → Reduce specific NOx emissions from our pulp and paper mills by 7.5% compared to a 2015 baseline
- → Reduce specific effluent load to the environment (measure COD) by 5% compared to a 2015 baseline

Using resources wisely and managing environmental impacts has been a long-term driver of Mondi's sustainable growth. Our business is natural resource-intensive. The efficient use of these resources makes good business sense and delivers environmental and social benefits.

Water reduction and recycling

Given the critical importance of water to our business, to local communities and to other stakeholders, we strive to manage our water use wisely and efficiently – especially in water stressed regions. We've committed to reducing the specific contact water consumption of our pulp and paper mills by 5% by 2020, against a 2015 baseline. In 2017, we achieved a reduction of 3.3%[10] against the 2015 baseline, with specific contact water consumption at 32.8 m^3 per tonne of saleable production (2016: 33.0).

Drought conditions in South Africa remain a concern and we continue to look for opportunities to improve water security in the areas where we operate. We have focused on reducing our water consumption in our South African operations, in particular in our Richards Bay mill. In 2017, we achieved a 27% reduction in specific contact water consumption against a 2015 baseline at our Richards Bay mill. Overall, our South African mills reduced their specific contact water consumption by 16% in 2017 against a 2015 baseline.

Sustainability performance

The WWF-Mondi Water Stewardship Partnership

In 2017, the WWF-Mondi Wetlands Programme was renamed the WWF-Mondi Water Stewardship Partnership, reflecting its broadening focus on catchment-based water stewardship. We conducted water stewardship assessments for our Richards Bay mill and plantations in South Africa against the international Alliance for Water Stewardship Standard (http://a4ws.org). This sets out to provide a globally-applicable framework for major water users to understand their water use and impacts. We are now using the outcomes to investigate meaningful, cost-effective improvements to our management system to meet the core requirements and to advance some of the requirements of the standard.

Managing waste

We've committed to reducing the specific total waste we send to landfill by 7.5% by 2020, against a 2015 baseline. In 2017, we sent 30.8 kg of waste to landfill per tonne of saleable production (2016: 33.1). This 7% reduction against 2016 and 18% reduction against the 2015 baseline was mainly achieved through further progress at our Świecie mill in converting waste to energy instead of landfilling and through lower ash generation due to reduced coal consumption at our Richards Bay mill.

Air emissions

We aim to reduce emissions to air from our production processes. Reducing emissions of malodourous gases (monitored as total reduced sulphur (TRS) compounds) from kraft pulp mills is a particular focus as they can create an odour nuisance for local communities.

We've reduced TRS emissions significantly since 2004, mainly by investing in new boilers and by burning off-gases containing these substances. In 2017, we emitted 56 tonnes of TRS (2016: 52), a 21% decrease compared with 2015 (71) and 8% increase against 2016 due to instabilities at our recovery boilers at our Dynäs mill (Sweden) and our Richards Bay mill. In 2017, our SO_2 emissions were 1,447 tonnes (2016: 1,985). We set a new commitment in 2015 to reduce our specific NOx emissions by 7.5% by 2020 against a 2015 baseline. In 2017, our specific NOx emissions amounted to 1.8 kg per tonne of saleable production (2016: 1.9), a reduction of 13% against 2015 levels. We emitted 921 tonnes of particulates (fine dust emissions) in 2017 (2016: 963), a 4% reduction compared with 2016.

Effluent and waste water quality

Water that has been used in production is treated in waste water treatment plants before it is released back into the natural environment. We have reduced our specific COD after waste water treatment to 6.9 kg per tonne of saleable production (2016: 7.0), a 8.7% reduction against 2015. This represents an excellent performance against our commitment to reduce specific COD by 5% compared to a 2015 baseline. It was mainly achieved through the start up of the new waste water treatment plant at our Świecie mill and the ongoing modernisation of the waste water treatment plant at our Syktyvkar mill in 2017.

9 Relationships with communities

Commitment

→ Enhance social value to our communities through effective stakeholder engagement and meaningful social investments

We play an important role in the communities where we operate – from creating employment and business opportunities to paying taxes and investing in local infrastructure. Our Socio-economic Assessment Toolbox (SEAT) process supports our pulp and paper mills and forestry operations to ensure open and transparent dialogue with our local communities.

SEAT assessments feed into Community Engagement Plans that help to focus all community engagement, initiatives and investments towards the right priorities for local communities and our business.

We base our community investment decisions on the principles of sustainable development, considering the needs of the community, our business objectives and the potential effectiveness of projects.

Our investments in 2017 totalled €9.6 million and contributed to outcomes including: building healthier communities and improving their future prospects; securing our supply chain; strengthening our local relationships; engaging our employees; and strengthening the Mondi brand. We are developing our 'Impact Pathway' methodology to assess the holistic outcomes, impacts and value created by investments.

Code of business ethics

Mondi's code of business ethics sets clear standards that ensure we conduct business to a high ethical standard, build trust with stakeholders, and comply with all applicable laws and regulation across the Group. It is based on a number of voluntary codes and guidelines and comprises five principles under the following headings: legal compliance; honesty and integrity; human rights; stakeholders; and sustainability.

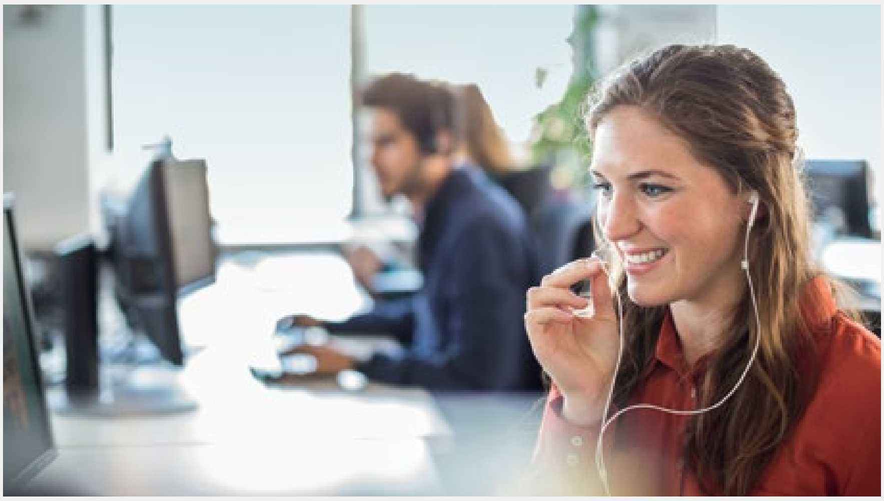
Detailed application of the code is documented in Mondi's policies and procedures, in particular the business integrity policy, which addresses Mondi's zero tolerance approach to bribery and corruption. There is a clearly defined process for reporting violations, with the Group Chief Executive Officer, Group Chief Financial Officer and Group Head of Internal Audit being notified in all instances.

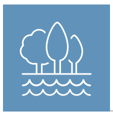
Regular training is provided to all relevant employees and compliance with the policy is monitored by the audit committee.

The directors believe that the Group has robust compliance procedures in place in relation to the code and are not aware of any material non-compliance with the code.

We have rigorous internal processes to facilitate the reporting, investigation and resolution of any issues.

Speakout, our confidential hotline operated by an independent third party, is the primary tool through which employees and other stakeholders can raise concerns. During 2017, we received 120 Speakout messages (2016: 335) relating to 74 cases (2016: 76 cases). These covered a number of topics; in particular the reporting of HR-related concerns, potential business irregularities and perceived fraudulent activities. The number of messages decreased in 2017 due to multiple messages for some cases in 2016.





7 Biodiversity and ecosystems

Commitment

→ Promote ecosystem stewardship in the landscapes where we operate through continued multi-stakeholder collaboration

We promote ecosystem stewardship to sustain services that our businesses and communities rely on by sharing best practices and continued, long-term collaboration with our stakeholders.

Online sustainable development report 2017

8 Supplier conduct and responsible procurement

Commitment

→ Encourage supply chain transparency and promote fair working conditions together with our key suppliers

We're taking steps to encourage greater transparency and promote fair working conditions by developing a responsible, inclusive and sustainable supply chain.

Online sustainable development report 2017

10 Solutions that create value for our customers

Commitment

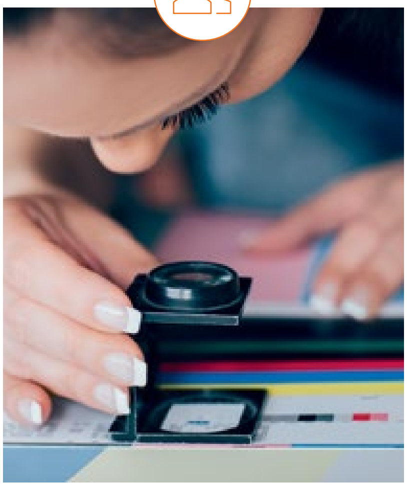
→ Encourage sustainable, responsibly produced products

We encourage sustainable, responsibly manufactured products and closer collaboration with our customers and partners.

Online sustainable development report 2017

Working together

Given the scale and nature of the challenges we face, it's only by working together that we will achieve the impact, innovation and scale necessary to bring about change. This motivates us to collaborate with others, building our shared understanding of sustainability issues – both the challenges and the opportunities – and developing the best solutions, together.



Customers

With more and more people wanting to make responsible purchasing choices, consumer interest in the sustainability criteria of products and services is greater than ever. This is driving demand for increased transparency across the whole value chain as well as opportunities to collaborate with our customers to deliver innovative, sustainable paper and packaging solutions.

- Regular customer satisfaction surveys
- Close collaboration with customers on product innovation
- Participation in a wide range of benchmarking and transparency initiatives
- Customer events and exhibitions
- Disclosure of our sustainability performance to our customers via EcoVadis, Sedex and other platforms

Suppliers

We engage with our suppliers to develop practical, risk-based solutions to the social and environmental challenges we all face across the value chain, to promote fair working conditions, and to deliver innovative, sustainable products and solutions.

- Regular assessments of key fibre and non-fibre suppliers
- Engaging with credible certification systems to encourage sustainable forestry practices and secure long-term wood fibre supplies
- Monitoring and managing risks and opportunities in the supply chain
- Supplier collaborations and partnerships to develop strategic, long-term relationships and improve performance

Investors

There is wide and growing recognition among the investment community of the links between sustainable operations and long-term financial success. We've seen increasing interest in our sustainability performance by investors and ESG analysts in recent years. We are part of the FTSE4Good Index Series and the JSE's Socially Responsible Investment (SRI) Index. We regularly share our sustainability performance and take feedback from investors and analysts to inform our reporting and management practices.

- Annual reports
- Questionnaires
- Independent disclosure platforms for investors such as CDP
- Ad hoc questions and requests
- Telephone calls and meetings
- Roadshows
- Events including results presentations and capital markets days

Communities

Ongoing, transparent dialogue with our communities helps us to address challenges, understand and manage our risks, generate opportunities and improve our business performance. To understand where our impacts lie and what our stakeholders expect, we use several different approaches, notably our formal SEAT process. We also carry out impact assessments of our voluntary community investments and programmes to determine the effectiveness, value and success of our interventions.

- → SEAT process
- → Community Engagement Plans (CEPs)
- → Open days and visits to our sites
- → Partnerships with communities and other stakeholders in development initiatives
- → Social impact assessments to measure the value we create on the ground

Employees

Open and honest dialogue is crucial. Alongside day-to-day management contact, we engage in discussions and feedback about our values and culture – as expressed in the Mondi Way. Informal channels of communication and formal surveys give our employees a voice to help us understand their concerns and improve our performance. There are a number of performance-related pay schemes that reward employees for the pursuit and achievement of business objectives, and the majority of our employees participate.

- → Group-wide employee survey
- → Regular local briefing sessions by managers
- → Electronic communications and publications
- → Divisional and local intranets
- → Local management and performance reviews
- → Internal conferences and leadership forums

Global partnerships and initiatives

We believe in global partnerships that help bring about change, sustainability and scale. We work closely with others to maximise the shared value we create, contributing to multi-stakeholder collaborations that seek sustainable solutions along the entire value chain. Our collaborations and memberships include, among others:

- → Global Partnership with WWF
- → The United Nations Global Compact (UNGC)
- → World Business Council for Sustainable Development (WBCSD)'s Forest Solutions Group
- → The Cambridge Institute for Sustainability Leadership (CISL)
- → Confederation of European Paper Industries (CEPI)

Group financial performance

Robust financial position

With our strong cash flow generation and robust financial position, we are well positioned to take advantage of new opportunities.

Our financial performance[1]

€ million	2017	2016	% change
Group revenue	**7,096**	**6,662**	**7%**
Underlying EBITDA	1,444	1,366	6%
% margin	*20.3%*	*20.5%*	
Depreciation, amortisation and impairments	(426)	(385)	
Underlying operating profit	**1,018**	**981**	**4%**
% margin	*14.3%*	*14.7%*	
Net finance costs	(71)	(101)	
Net profit from equity accounted investees	1	1	
Underlying profit before tax	948	881	8%
Underlying tax charge	(181)	(166)	
Total non-controlling interests	(43)	(48)	
Underlying earnings	**724**	**667**	**9%**
Special items (after tax and non-controlling interests)	(53)	(29)	
Profit after tax and non-controlling interests	**671**	**638**	**5%**
Basic earnings per share (euro cents)	**138.6**	**131.8**	**5%**
Underlying earnings per share (euro cents)	**149.5**	**137.8**	**8%**
ROCE %	**19.7%**	**20.3%**	

1 Alternative Performance Measures are defined in note 33, and where relevant reconciled to IFRS in the notes to the combined and consolidated financial statements

Our financial position

€ million	2017	2016
Property, plant and equipment	3,962	3,788
Goodwill	698	681
Working capital	899	799
Other assets	529	532
Other liabilities	(723)	(721)
Net assets excluding net debt	**5,365**	**5,079**
Equity	3,714	3,392
Non-controlling interests in equity	325	304
Net debt	1,326	1,383
Capital employed	**5,365**	**5,079**

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).

In 2017, the special item charge 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 (South Africa).

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.

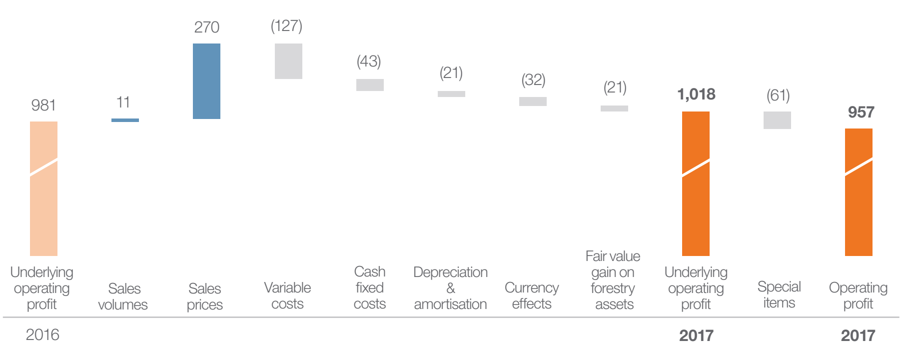
The impact of maintenance shuts on underlying operating profit in 2017 was around €95 million (2016: €75 million), slightly above our previous expectation of €90 million. Based on prevailing market prices, we estimate that the impact of maintenance shuts on underlying operating profit in 2018 will be 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.

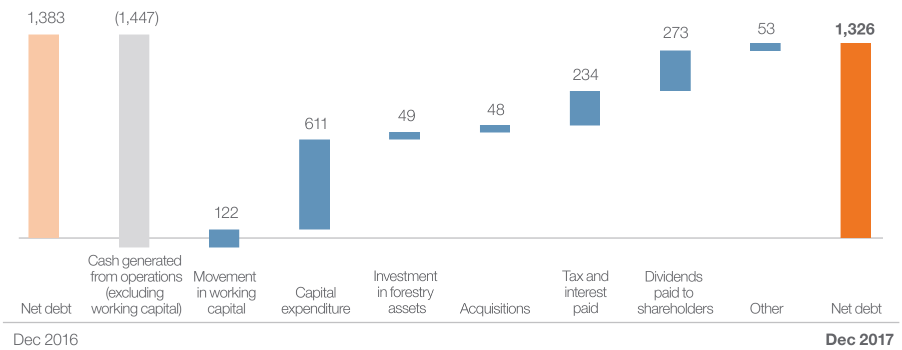
Operating profit development

€ million



Movement in net debt

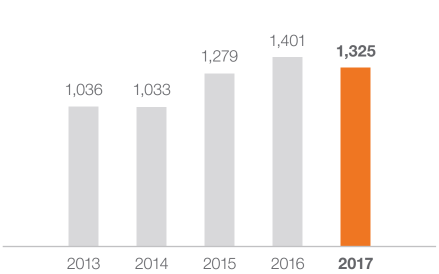
€ million



Cash generated from operations

€ million

€1,325m



Group financial performance

Our finance costs and net debt

€ million	2017	2016	% change
Net debt	**1,326**	**1,383**	**4%**
Average net debt	1,376	1,476	7%
Net interest expense[1] (before capitalised interest)	61	92	34%
Effective interest rate	4.5%	6.2%	
Committed facilities	1,987	2,497	
Of which undrawn	791	812	
Net (bank overdraft)/cash position	(66)	377	
Net debt to 12-month trailing underlying EBITDA (times)	0.9	1.0	

1 Interest expense on bank overdrafts and loans net of investment income

Strong cash flow generation

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.

Managing our financial risks

Our capital structure

Capital employed is managed on a basis that enables the Group to continue trading as a going concern, while delivering acceptable returns to shareholders. We are committed to managing our cost of capital by maintaining an appropriate capital structure, with a balance between equity and net debt.

Our capital employed is used to fund the growth of the business and to finance our liquidity needs. The primary sources of funding set out below provide us with access to diverse sources of funding with various debt maturities.

Our short-term liquidity needs are met through our €750 million Syndicated Revolving Credit Facility and we seek to minimise the amount drawn on this facility.

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 our Eurobonds and committed debt facilities was 3.8 years at 31 December 2017. Gearing at 31 December 2017 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.

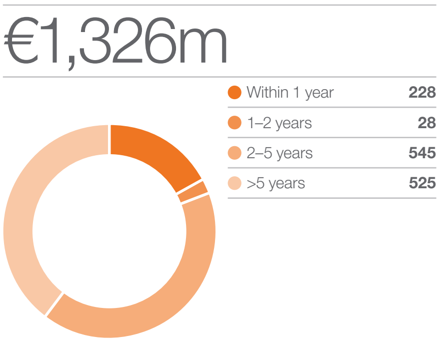
In the second half of the year, Moody's Investors Service upgraded the Group's credit rating from Baa2 to Baa1 (stable outlook). Our BBB credit rating from Standard & Poor's was reaffirmed and put on positive outlook during the year.

Net 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.

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%).

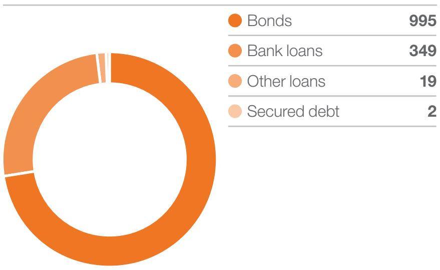
Maturity profile of net debt

€ million



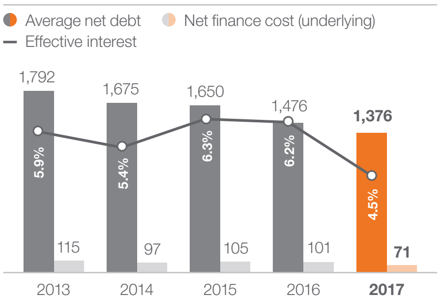
Composition of debt

€ million



Net debt and finance costs

€ million



Currencies

Our multi-national presence results in exposure to foreign exchange risk in the ordinary course of business. Currency exposures arise from commercial transactions denominated in foreign currencies, financial assets and liabilities denominated in foreign currencies and translational exposure on our net investments in foreign operations.

Our policy is to fund subsidiaries in their local functional currency wherever practical. External funding is obtained in a range of currencies and, where required, translated into the subsidiaries' functional currencies through the swap market.

We hedge material net balance sheet exposures and forecast future capital expenditure. We do not hedge our exposures to projected future sales or purchases. We do not take speculative positions on derivative contracts.

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.

Tax

We aim to manage our tax affairs conservatively, consistent with our approach to all aspects of financial risk management. Our objective is to structure our operations tax efficiently, taking advantage of available incentives and exemptions, while complying with all applicable laws and regulations. In accordance with Organisation for Economic Cooperation and Development guidelines, our policy is that all intra-group transactions are conducted on an arm's length basis.

While ultimate responsibility for the tax affairs of the Group rests with the Boards, the executive committee ensures that the tax governance framework is aligned with the principles of financial management applied throughout the Group. We have dedicated internal tax resources throughout the organisation, supported by a centralised Group tax department who take day-to-day responsibility for management of the Group's tax affairs. We maintain a detailed set of operational guidelines aimed at ensuring a sound tax control environment. In addition, we seek regular professional advice to ensure that we remain up to date with changes in tax legislation, disclosure requirements and best practice.

Tax risks are monitored on a continuous basis and are more formally reviewed on a half-yearly basis by the audit committee as part of our half-yearly reporting process.

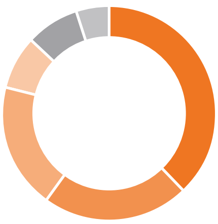
As Mondi operates in a number of countries, each with a different tax system, the Group is regularly subject to routine tax audits and tax authority reviews which may take a considerable period of time to conclude. Our intention is to maintain a constructive dialogue with tax authorities and to work collaboratively with them to resolve any disputes. Where necessary, provision is made for known issues and the expected outcomes of any negotiations or litigation.

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%.

Currency split of net debt
%



Euro	39
Polish zloty	23
Czech koruna	20
US dollar	8
South African rand	8
Turkish lira	5
Other[1]	(3)

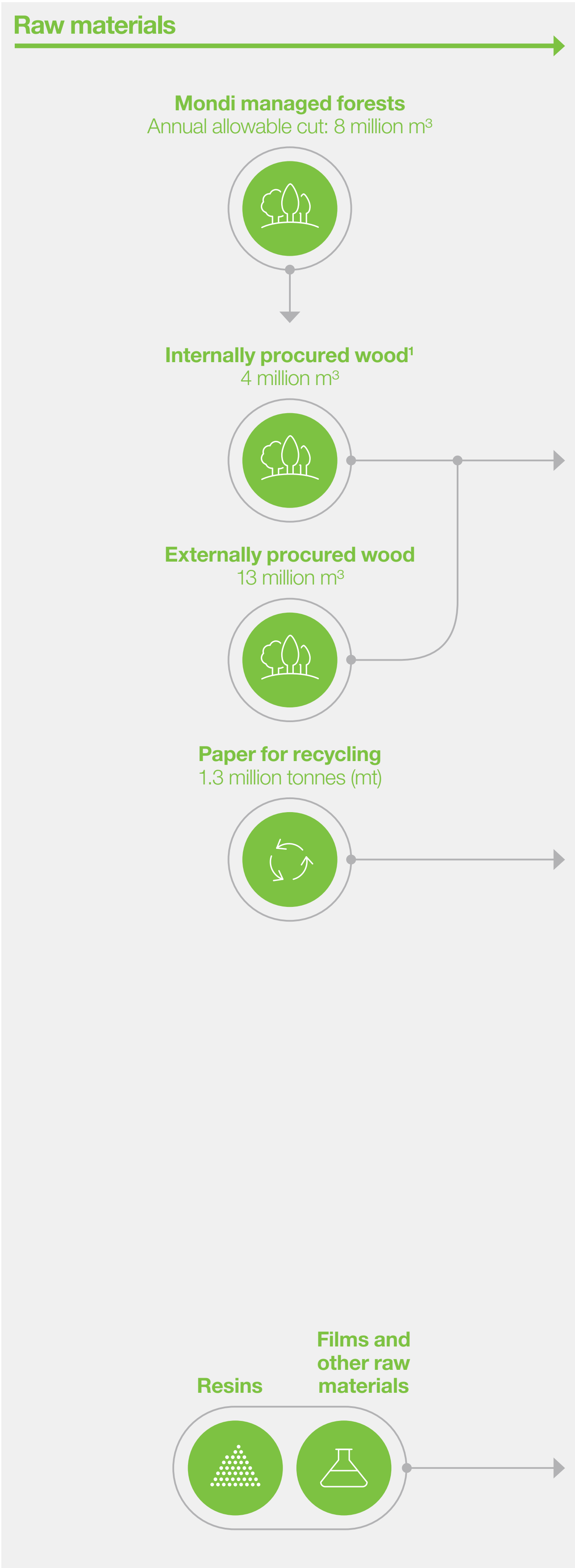
1 Net cash in other currencies

Business reviews

Our integrated value chain

We are integrated across the packaging and paper value chain. Our sustainably managed forests, backward pulp integration and high electricity self-sufficiency provide us with security of fibre supply, reduced exposure to raw material price volatility and the ability to manage sustainability risks and opportunities more holistically.

We believe that the integrated nature of our business places us in an ideal position to deliver on our customers' packaging and paper needs.

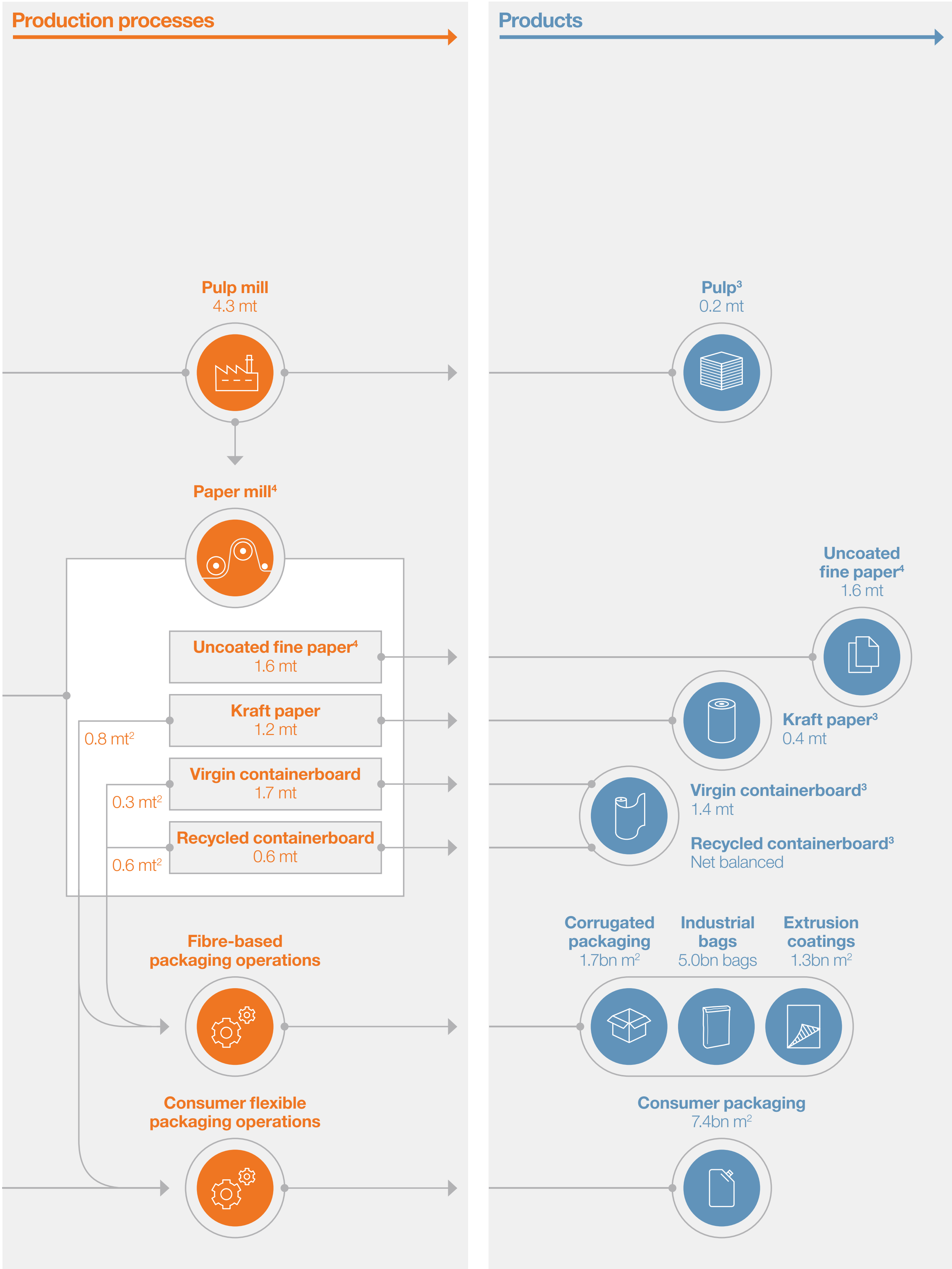


1 Due to commercial, logistic and sustainability considerations, the actual wood procured from our managed forests was lower than the annual allowable cut

2 Total consumption (aggregate of internal and externally procured packaging paper) in million tonnes (mt)

3 Pulp and packaging paper net exposure

4 In addition to 1.6mt of uncoated fine paper, the Group also produced 0.3mt of newsprint in 2017


Production processes
Products
Pulp mill
4.3 mt
Pulp[3]
0.2 mt
Paper mill[4]
Uncoated fine paper[4]
1.6 mt
Kraft paper
1.2 mt
Virgin containerboard
1.7 mt
Recycled containerboard
0.6 mt
0.8 mt[2]
0.3 mt[2]
0.6 mt[2]
Uncoated fine paper[4]
1.6 mt
Kraft paper[3]
0.4 mt
Virgin containerboard[3]
1.4 mt
Recycled containerboard[3]
Net balanced
Fibre-based packaging operations
Corrugated packaging
1.7bn m²
Industrial bags
5.0bn bags
Extrusion coatings
1.3bn m²
Consumer flexible packaging operations
Consumer packaging
7.4bn m²

Packaging Paper

Our Packaging Paper business manufactures and sells a wide range of virgin and recycled containerboard, and sack and speciality kraft paper.

Operating sites

10 in 10 countries

Employees

5,300

Production capacity

Pulp: 2,715 ktpa

Virgin and recycled containerboard: 2,435 ktpa

Sack and speciality kraft paper: 1,291 ktpa

Key industries served

- Automotive
- Building and construction
- Food and beverage
- Paper and packaging converting
- Shipping and transport

Market positions

#2
Virgin containerboard producer in Europe

#1
Containerboard producer in emerging Europe

#1
Kraft paper producer globally

We are a leading packaging paper producer in Europe and South Africa with a well-invested, cost-advantaged asset base.

Our virgin and recycled containerboard is used to make corrugated packaging, primarily designed to protect our customers' products along the value chain and display them in-store. Customers benefit from our full-range sack kraft paper portfolio, including brown, white and polyethylene-coated grades, as the main component of valve and open mouth industrial bags.

Our broad range of high-quality speciality kraft papers enables customers to source a variety of customised packaging solutions from a single supplier. Our products can be used to make everything from industrial packaging, to retail shopping bags, and attractive food packaging for supermarket shelves and is used by our Consumer Packaging business for release liner.

Our broad product range is designed to meet specific customer needs including printability, strength and moisture resistance, the use of raw materials from sustainable sources, and products that are biodegradable and contain recycled content.

Production information

		2017	(Restated)[1] 2016
Containerboard	'000 tonnes	2,297	2,253
Kraft paper	'000 tonnes	1,206	1,204
Softwood pulp	'000 tonnes	2,010	1,976
Hardwood pulp	'000 tonnes	547	500

Financial performance

€ million	% change	2017	(Restated)[1] 2016
Segment revenue	9%	2,292	2,103
Underlying EBITDA	19%	629	527
Underlying operating profit	21%	482	397
Underlying operating profit margin		21.0%	18.9%
Special items		3	—
Capital expenditure		283	175
Net segment assets		2,101	1,876
ROCE		26.3%	23.1%

Sustainable development

		2017	2016
TRCR	per 200,000 hours worked	0.60	0.72
Energy consumption	million GJ	58.32	59.26
Scope 1 and 2 GHG emissions	million tonnes CO_2e	1.09	1.25
FSC- or PEFC-certified wood procured	%	60	53
Environmental management certification	% operations certified to ISO 14001 standards	86	86

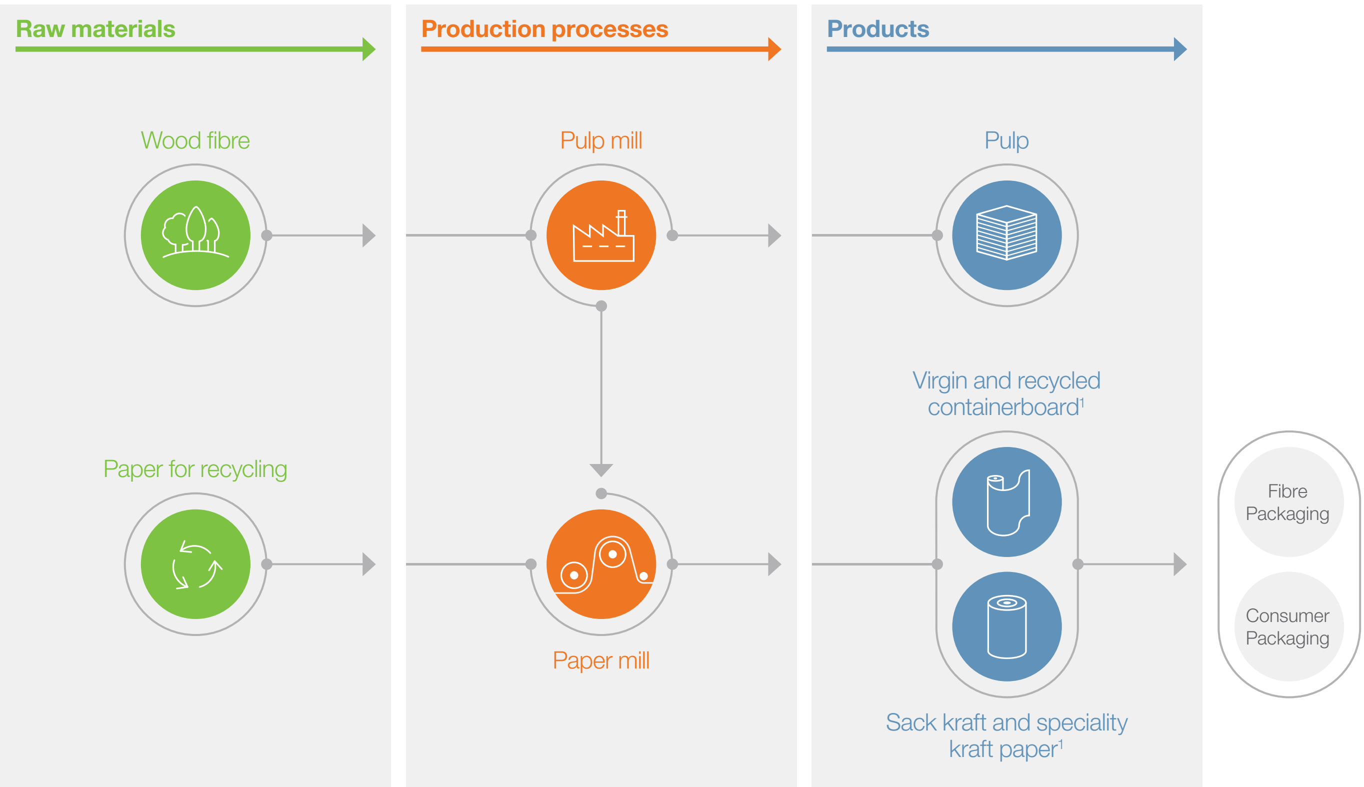
1 Refer to note 2 in the notes to the combined and consolidated financial statements for basis of restatement

Advantage Select

Our Advantage Select sack kraft paper has enabled the largest cement packaging company in Pakistan to switch most of its production from three-ply to two-ply bags without compromising on strength or quality. As a result, Cherat Packaging has reshaped the market and delivered considerable material and cost savings. Its two-ply bags made with Advantage Select are now used by almost all cement plants in Pakistan, and are greatly appreciated by customers.

ProVantage Komiwhite

This exclusive white top kraftliner made in Syktyvkar (Russia) brings unprecedented quality in terms of printability, runnability, and whiteness. It offers a wide range of solutions for packaging fruit, beverages and luxury goods as well as eye-catching point-of-sale displays, promotional and shelf-ready packaging. Its bleached white hardwood top sheet ensures brilliant printing that meets the requirements of our customers and captures the attention of end-users.



1 Sold externally and used in our Fibre Packaging and Consumer Packaging businesses

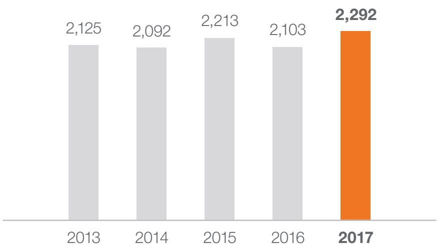
Business reviews
Packaging Paper

Delivering on our strategy

Strategic value drivers	Progress in 2017	2018 objectives
Drive performance along the value chain	→ Focused on improving product mix, and optimising production and supply chain → Improved reliability of mills through focus on maintenance and Asset Management System	→ Improve productivity and efficiency of mills through Asset Management System and recovery boiler optimisation plan
Invest in assets with cost advantage	→ Completed the Świecie mill (Poland) expansion to provide additional 100,000 tonnes of softwood kraft pulp, 80,000 tonnes of light-weight kraftliner and increased share of kraft top liner	→ Make progress on major capital investment projects at Štěti (Czech Republic) and Ružomberok (Slovakia) mills → Ramp-up of new Świecie capacity
Inspire our people and grow responsibly	→ Continued focus on safety, completed all shuts and capex projects with no major safety incidents → Enhanced employee relationships and two-way communication → Reduced GHG emissions intensity	→ Continued focus on growing our safety maturity → Progress investments to reduce the environmental footprint of our mills and improve energy efficiency
Partner with customers for innovation	→ Improved customer intimacy through hosting events, supporting through Electronic Data Interchange (EDI) connections and providing platforms for engagement with Mondi experts	→ Leverage recently implemented platforms and initiatives to further improve customer partnerships and relationships → Complete the acquisition of Powerflute

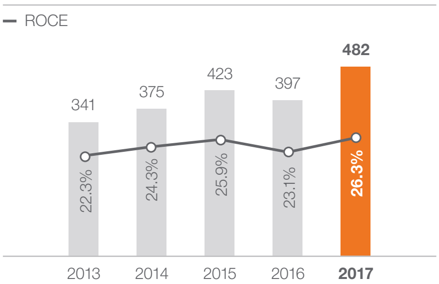
Segment revenue
€ million

€2,292m



Underlying operating profit
€ million

€482m



Financial review

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 and a planned maintenance shut at our Syktyvkar mill 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 (South Africa) 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.

Drive performance along the value chain

During the year, we continued to focus on improving our product mix, and optimising our production network and supply chain to better serve our customers. We also made good progress on delivering procurement savings and improving the productivity and efficiency of our mills.

To increase the reliability of our operations and reduce maintenance costs we continued to invest in our maintenance and asset management processes. We have significantly improved our data analytics capabilities to provide standardised data to benchmark performance across the mills.

This enables us to improve consistency of our maintenance activities which we are standardising, review the skills and qualifications required by our people and improve our training programmes.

22 Asset Management System case study – Strategy review

Collaboration and best practise sharing is crucial to drive operational excellence across our mills. During the year we focused on reviewing the set-up of our know-how sharing platforms to improve the implementation of recommended action plans.

Invest in assets with cost advantage

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 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.

Inspire our people and grow responsibly

The safety and health of our people is a key priority. We continued to reduce risks in our operations with a focus on the top risks. To ensure we conduct annual maintenance shuts and implement capital expenditure projects safely, we engaged with contractors and planned in detail ahead of time. As a result, we continue to see improvements in our safety performance during maintenance shuts and capital investment projects. While we did not record any major incidents during these projects in 2017, we regret that we experienced a life-altering injury – a partial finger amputation – at our Frantschach mill (Austria).

As a result of our recent investments, such as the installation of a new recovery boiler and conversion of the existing boiler to a biofuel boiler at our Świecie mill, we have reduced GHG emissions and improved energy efficiency at our operations. Excellent progress was made in reducing waste to landfill, mainly due to further conversion of waste to energy instead of landfilling at our Świecie mill. Our Stambolijski mill in Bulgaria received investments during the year with a focus on improving our environmental performance by capturing and treating odourous gases and upgrading our emissions measurement equipment. In Frantschach we invested in additional noise protection measures and initiatives aimed at reducing air emissions such as nitrogen oxides.

FSC- or PEFC-certified wood volumes were increased during the year, mainly due to increased procurement of wood from certified suppliers.

In 2017, our annual Making A Difference Day included a focus on our relationships with local communities. We hosted events including visits by local students, family days and community open days. We see benefits from these activities including improved community-site cooperation, local environmental and safety & health awareness, understanding of our industry, and support for the development of a pool of local technical skills. We were proud to celebrate two very special anniversaries this year. We hosted 180 guests, including state and local Polish representatives, at a special function for Świecie's 50-year anniversary. In Dynäs (Sweden) we celebrated 100 years of papermaking, taking the opportunity to reinforce the company's relationship with the city and its citizens, and share information about our operations, products, and the contribution we make to the city.

We also continued to look for ways to improve two-way communication with our employees. In 2017 we asked our employees to share their stories with us in relation to our 'In Touch Every Day' campaign and our claim of 'More than you expect'. The overwhelming response we received was so inspiring that we shared these stories with our employees globally via our intranet as well as a printed booklet. 52 employees provided personal stories illustrating how Mondi exceeds their expectations. We were encouraged by these stories, which bring our values to life.

Partner with customers for innovation

We continue to develop customer intimacy through proactive initiatives. In 2017 we had the pleasure of hosting the eighth 'From fibre to corrugated board' seminar at our Świecie mill, a three day event with around 250 customers. Our well known seminar provides an opportunity to share knowledge, best practice and key challenges between paper and corrugated board producers.

During the year, we expanded our Electronic Data Interchange connection with customers. This direct connection to our customers' ERP systems allows for automated order placement, confirmation, delivery notification and invoicing. This initiative continues to grow since its inception in 2015 and is poised for further development in 2018.

Our online corrugated board platform 'Corrugated-Paper-Expert' was launched late in 2017 providing customers with the opportunity to submit questions to our internal experts. Partnering with our customers to help them improve paper runnability and optimise cost and weight in the box design process is vital for their success. This 24/7 online support tool provides an ideal platform for collaboration and partnership.

In December 2017, to broaden our high-quality packaging paper offering to our global corrugated packaging customers, 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.

Business reviews

Fibre Packaging

Our Fibre Packaging business manufactures and sells corrugated packaging, industrial bags and speciality extrusion-coated products for a variety of consumer and industrial applications.

Our comprehensive product portfolio, integration into paper and strong innovation capabilities help us meet our customers' needs.

Innovation and design improvements extend the benefits of our corrugated packaging well beyond traditional boxes to fully customised trays and wraps, multi-piece solutions, appealing point-of-sale corrugated solutions and heavy-duty shipping containers.

Industrial bags are a strong, light-weight and sustainable choice for cement and building materials, agricultural, chemical and food products. We have the broadest range of industrial bags in the industry, available globally, and optimised for high-speed filling and easy handling, including open mouth bags, pasted valve bags, water-repellent bags, bags suitable for food contact and heavy-duty packaging.

Our extrusion coatings portfolio comprises high-quality barrier solutions used in a wide range of industries for applications such as food packaging, building insulation, foam papers, wrappers, case linings as well as automotive and protective clothing.

Operating sites

60 in 24 countries

16	40	4
Corrugated Packaging	Industrial Bags	Extrusion Coatings

Employees

8,100

Key industries served

- Agriculture
- Automotive and other manufacturing
- Building and construction
- Food and beverage
- Retail and e-commerce
- Shipping and transport

Market positions

#3 Corrugated packaging producer in emerging Europe

#1 Industrial bags producer globally

#2 Extrusion coatings producer in Europe

Production information

		2017	2016
Corrugated board and boxes	million m²	1,650	1,448
Industrial bags	million units	4,952	4,881
Extrusion coatings	million m²	1,281	1,249

Financial performance

€ million	% change	2017	2016
Segment revenue	7%	2,055	1,929
Underlying EBITDA	(3)%	189	194
Underlying operating profit	(10)%	111	123
Underlying operating profit margin		5.4%	6.4%
Special items		—	(13)
Capital expenditure		115	107
Net segment assets		1,063	1,006
ROCE		11.3%	13.5%

Sustainable development

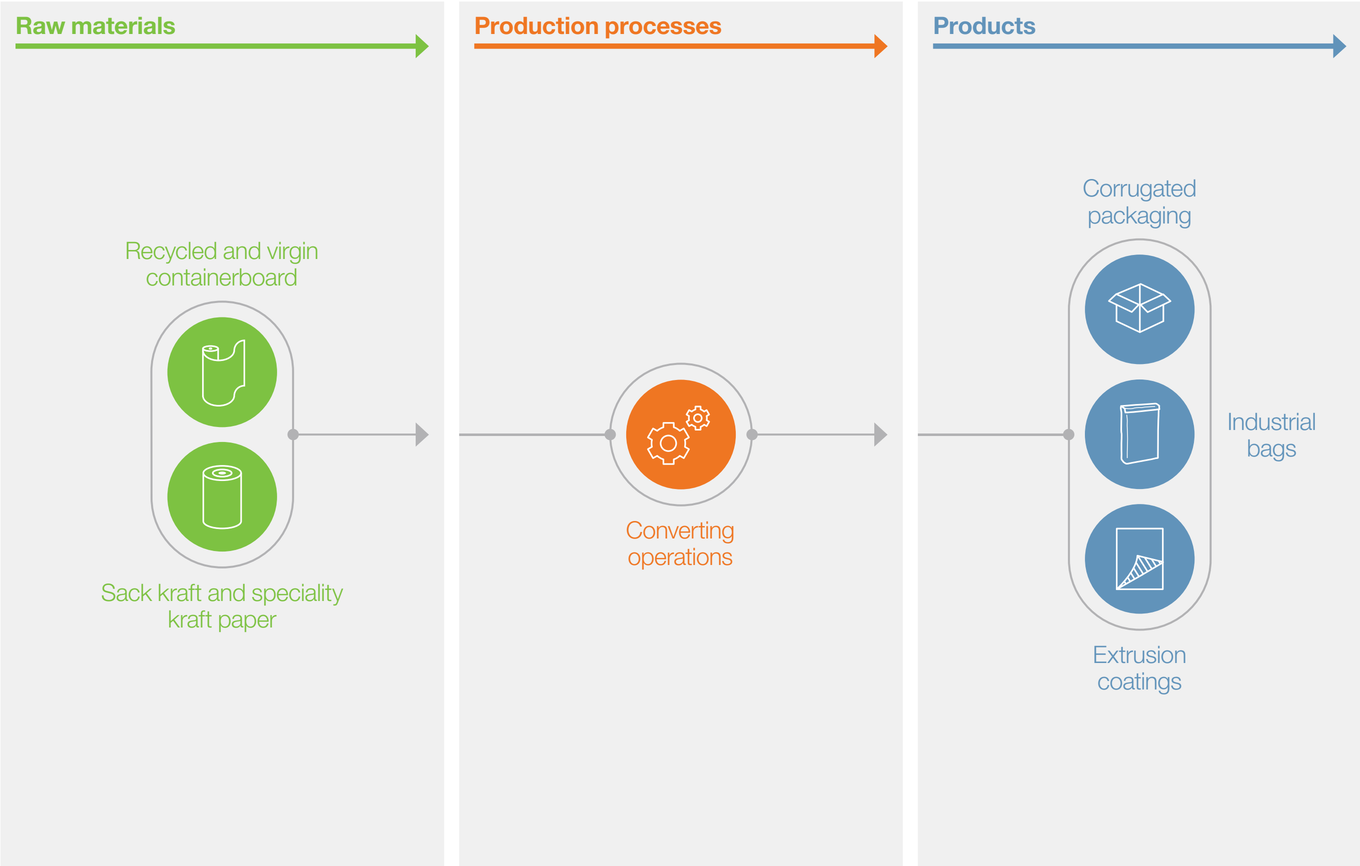
		2017	2016
TRCR	per 200,000 hours worked	1.02	0.97
CoC Certification	% operations certified to FSC or PEFC CoC standards	65	72

Box A Treasure

Box A Treasure, designed for the brand relaunch of an Austrian toy manufacturer, is part of the overall product experience. This packaging is one of our many retail packaging solutions designed to enhance brand and product appeal at point-of-sale and back at home. The single-piece cardboard box resembles a toolbox or treasure chest. With a lid that can be opened and closed, kids love it and it is great for storage too. An excellent example of how packaging can breathe new life into products.

Courier Express Packaging – Flexible paper bag

Along with the growth of e-commerce, the demand for more efficient and light-weight packaging is increasing. We have developed the next generation in sustainable e-commerce solutions, enabling a faster packaging process with decreased logistic costs. Our recyclable paper bag for courier express packaging is flexible, yet strong and durable. Made of Mondi Advantage ONE paper and shaped like an envelope with a tear strip, it is easy to open and the double adhesive closing makes returns convenient for customers too.



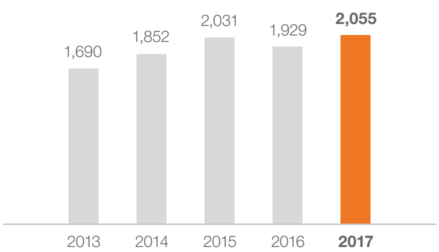
Business reviews
Fibre Packaging

Delivering on our strategy

Strategic value drivers	Progress in 2017	2018 objectives
Drive performance along the value chain	→ Intensified commercial excellence efforts to pass on significant paper price increases → Further optimisation of our Industrial Bags production network in Europe and North America	→ Continue commercial excellence efforts to pass on paper price increases → Focus on product quality and efficient logistics, while reducing waste and optimising production costs
Invest in assets with cost advantage	→ Successful integration of recent acquisitions → Start-up of state-of-the-art heavy-duty corrugated box plant at Simet (Poland) → Expansion of cost-advantaged industrial bags facility in Sabac (Serbia)	→ Expansion of our industrial bags plant in Abidjan (Côte d'Ivoire) with a second line → Continue to strengthen our Middle East network → Continue to invest to develop our production network capabilities
Inspire our people and grow responsibly	→ Increased focus on safety through formal training programmes and on-the-job safety management → Focus on engaging with local communities	→ Focus on talent attraction and retention initiatives through investing in our workforce and support from external partners → Continued focus on workforce safety and training
Partner with customers for innovation	→ Enhanced service delivery and implemented customer interfaces → Developed various product solutions in collaboration with our customers, particularly in Corrugated Packaging and Extrusion Coatings	→ Continue to improve reliability of service, supplier flexibility and speed to market → Continue to partner with customers for lighter, stronger and high performance solutions

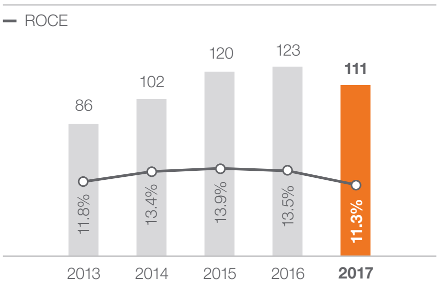
Segment revenue
€ million

€2,055m



Underlying operating profit
€ million

€111m



Financial review

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. 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.

Drive performance along the value chain

We intensified our commercial excellence efforts during the year, partly compensating rising paper prices, launching a range of ongoing pricing excellence initiatives to pass on raw material costs to our customers. We continued to focus on improving productivity and efficiency, and reducing conversion costs per unit to stay competitive.

The breadth and geographic reach of our industrial bags network gives us the unique ability to continue to work on optimising our production network to serve our customers more efficiently. In 2017, we closed our facilities at Ghislenghien (Belgium) and Thessaloniki (Greece) and continue to serve our customers from other sites with excellent customer retention. We also moved production for lawn and leaf refuse bags from our facility in Arcadia, Louisiana (US) to Louisville, Kentucky (US) to increase our proximity to customers and improve logistics. Our new operation in Abidjan continued to ramp-up production to meet the growing demand of our customers in the region. In our effort to further improve the efficiency of our extrusion coatings network, we divested a flexo printing plant in Sunne (Sweden) in January 2018.

Quality is a top priority across our businesses. During the year we continued to roll out our zero defect project across our corrugated operations, enabling us to deliver even more consistently high-quality products across our network. In our industrial bags operations, we have reinforced quality as a key focus and launched specific initiatives to standardise our quality management processes.

Invest in assets with cost advantage

In 2017 we completed the expansion of Mondi SIMET S.A., which we acquired in 2016, into a high-efficiency, heavy-duty box plant. A new corrugator, converting lines and new box maker started up as planned towards the end of the year. We invested to modernise and expand our new plant in Lebedyan in Russia, also acquired in 2016, enabling us to broaden our product range and better serve our customers in the region. We expect to complete this investment in 2018. During the year we focused on sharing resources and know-how as part of our acquisition integration process to ensure we bring people on board and drive performance in line with the Mondi Way.

We have expanded our industrial bags facility in Sabac into a state-of-the-art plant. It is well located to leverage its cost advantage to service our customers in central and eastern Europe. We also invested in our product portfolio by expanding and upgrading certain bags plants in North America and western Europe to produce high-quality, PE-liner bags suitable for demanding applications requiring a food safe production environment (e.g. dry dairy products).

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.

Inspire our people and grow responsibly

It is with deepest regret that we experienced a fatality at our Tire Kutsan (Turkey) box plant in August. A thorough investigation was conducted with external specialists and we have implemented action plans across our operations to prevent a repeat of the incident.

We have placed special emphasis on our first line managers' training, and this year we conducted 360º reviews to assist us in defining specific leadership development areas. To ensure alignment with Mondi's safety requirements, all our safety professionals have attended the Mondi Group Safety Professionals training programme. As part of our capital expenditure projects we also increased our focus on contractor safety management, completing all projects without any recordable injuries.

To support our commitment to growing responsibly, we have increased efforts to improve analytics that help us monitor and identify opportunities to optimise our water and electricity consumption. We have focused on improving our efficiency in relation to consumption of compressed air, with improved monitoring and measurement across many of our sites.

During the year we continued to engage with our communities locally. For example we hosted an 'Open House Day' at our corrugated packaging site in Warszawa (Poland). This very successful initiative assisted us with recruiting eight new employees from a pool of local talent. We plan to use this model in some of our other operations.

Partner with customers for innovation

We have a strong innovation culture supported by our long-term customer relationships and backward integration into paper production. We are pleased that our close collaboration with our customers has been recognised with five World Star Awards and a number of other accolades this year for our Corrugated Packaging business. Some of our innovative corrugated packaging solutions developed recently include IceBox, a last mile delivery box for chilled or frozen food or on-the-go chilling needs, and Simple Sphere, an innovative transport packaging for car parts that replaces wooden crates, streamlining the packing process, reducing costs while reducing the impact on the environment. We also developed, together with our customer, an e-commerce shipping paper bag solution.

We have continued to focus on sustainability initiatives to support our customers' lighter-weight products or develop innovative biodegradable solutions by combining our speciality kraft paper and our Sustainex® biodegradable barrier.

We know that product quality and service delivery are important to our customers. We have invested in our IT systems to enhance our ability to serve our customers, focusing on increasing the digitisation of our customer interfaces and providing automated information flow. We are also targeting initiatives to reduce the time between customer order and delivery, and improve delivery accuracy. We continue to actively work with our customers to improve their supply chain processes, reduce transportation costs, and deliver cost savings.

Consumer Packaging

Our Consumer Packaging business develops, manufactures and sells innovative flexible plastic-based consumer goods packaging solutions, technical films, components for personal care products, and release liners.

Operating sites

30 in 12 countries

Employees

6,000

Key industries served

- Food and beverage
- Graphic arts
- Home and personal care
- Medical and pharmaceutical
- Pet care
- Tapes

Market positions

#1 Commercial release liner producer in Europe

#3 Consumer flexible packaging producer in Europe

We operate a high-quality asset base, using proprietary processing technology with vertical integration along the value chain, producing products and product components for some of the world's biggest brands. Our leading market positions and culture of product innovation provide a strong platform for growth.

Sustainable development is integral to our responsible and profitable growth, and part of our everyday work. Our approach to sustainability is centred on collaborating with customers and other strategic partners, while prioritising the responsible use of resources.

Our consumer goods packaging products help brands communicate with customers, extend shelf-life and improve end-user convenience. We produce high-quality laminates and barrier materials on reels, capable of handling a variety of printing techniques. We also offer a wide range of tailor-made converted flexible packaging solutions such as stand-up pouches, re-closable plastic bags, paper-based bags, and ice cream packaging.

We produce highly developed technical films and film-based solutions for a variety of uses and industries. Products include high-quality label films as well as high-barrier films for sophisticated packaging solutions, and films for demanding surfaces or technical components in automotive and light-weight design.

Our personal care components are used in diapers, adult incontinence and femcare products and include soft nonwovens, unique stretchy elastic films and laminates, mechanical fastening components and wrapping films.

In addition, consumer packaging also offers a wide range of high-quality paper and film-based release liners and advanced functional coatings for various applications including tapes, graphic arts, medical, fibre composites, baking and many more.

Production information

		2017	2016
Consumer packaging	million m^2	7,437	7,156

Financial performance

€ million	% change	2017	2016
Segment revenue	5%	1,646	1,562
Underlying EBITDA	9%	215	198
Underlying operating profit	9%	132	121
Underlying operating profit margin		8.0%	7.7%
Special items		(49)	(19)
Capital expenditure		91	91
Net segment assets		1,313	1,270
ROCE		10.4%	10.5%

Sustainable development

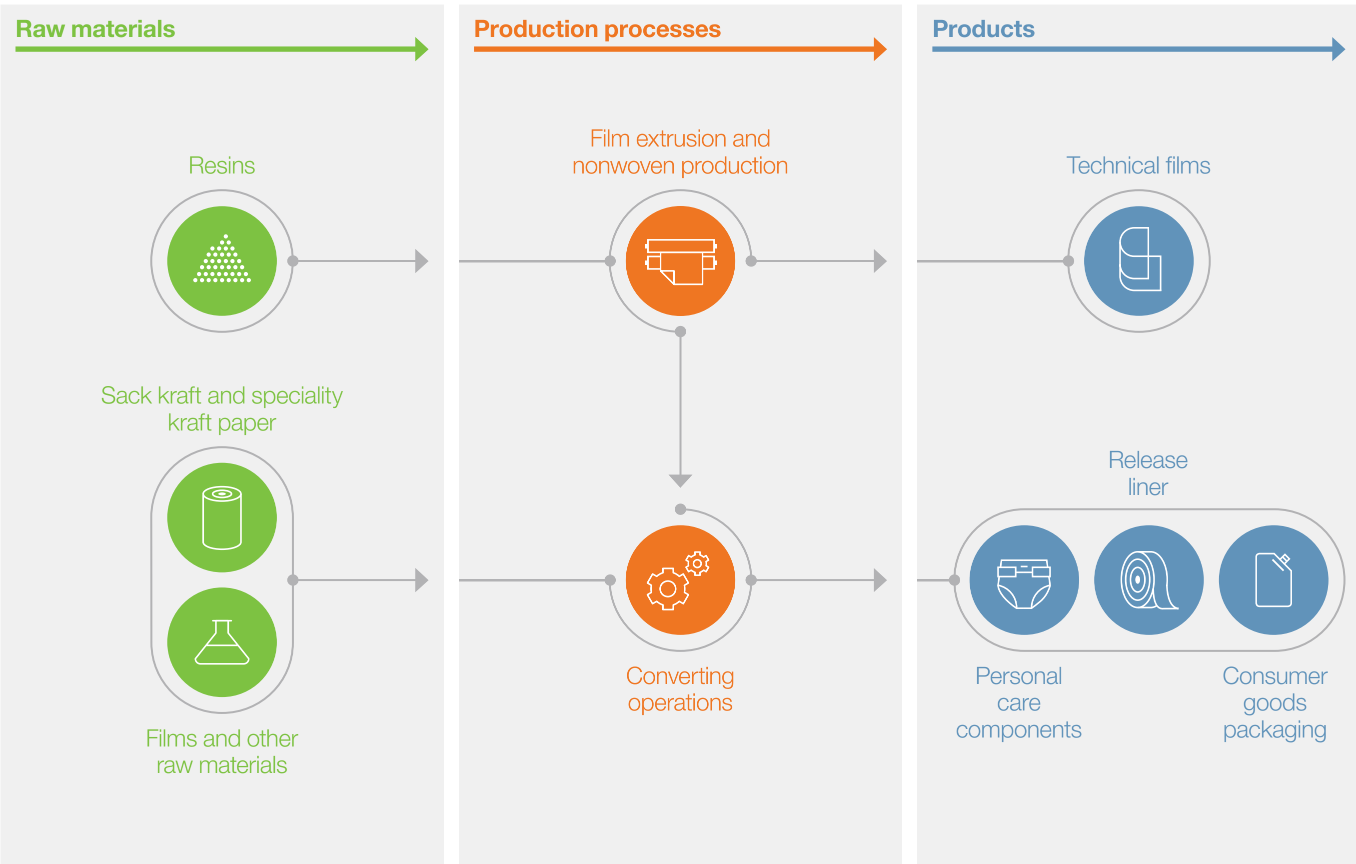
		2017	2016
TRCR	per 200,000 hours worked	1.01	1.19
Hygiene certification	% food contact operations certified to recognised food hygiene standards	94	100

One-stop shop for femcare convenience

Women on the go want products that fit their lifestyle. Our customers want to offer their customers femcare products that are discreet, comfortable and most importantly dependable. To translate these qualities into material terms, we deliver a complete femcare packaging concept – not just individual parts. It's about designing products from top to bottom under one roof. One-stop shopping for our customers!

SteamFast

SteamFast is the global leader in functional packaging for microwave steam cooking. The award-winning technology is simple and effective. It allows steam and pressure to build up in the bag so that consumers can enjoy great-tasting, healthy food that cooks in minutes. There's no need to add water, stir or even cut the bag open until it's ready to be served. Our SteamFast range includes Sauce & Steam, Prep & Steam, Zip & Steam and SoupFast. It's a welcome innovation in healthy cooking technology and convenience.



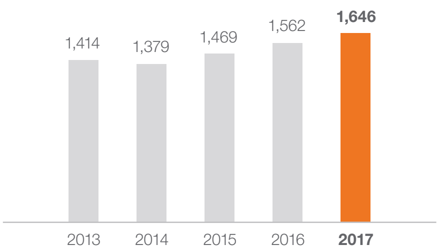
Business reviews
Consumer Packaging

Delivering on our strategy

Strategic value drivers	Progress in 2017	2018 objectives
Drive performance along the value chain	→ Good progress in reducing waste and optimising operations through process specialisation → Restructuring initiatives to lower cost base including plant closures	→ Further strengthen sales force effectiveness across the business → Ongoing initiatives to optimise production, reduce waste and improve quality assurance management
Invest in assets with cost advantage	→ Completion of key expansion projects in central and eastern Europe	→ Complete expansion of our plant in Thailand → Optimise our recent investments
Inspire our people and grow responsibly	→ Continued focus on safety, especially training on moving and rotating equipment → Joined The Ellen MacArthur Foundation's New Plastics Economy Initiative to support a more circular economy	→ Further focus on improving our safety record → Continue to work with stakeholders to improve the sustainability of flexible packaging products
Partner with customers for innovation	→ Realigned key account teams for improved collaboration with main customers → Developed innovative solutions in partnership with our customers	→ Continue to strengthen our innovation organisation → Continue to partner with customers to develop innovative solutions

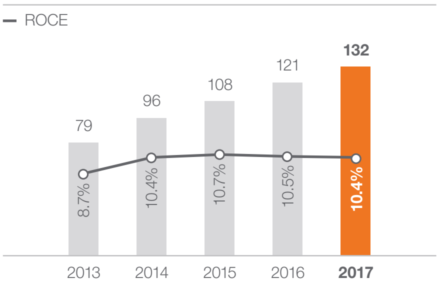
Segment revenue
€ million

€1,646m



Underlying operating profit
€ million

€132m



Financial review

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.

Drive performance along the value chain

Our focus to drive Consumer Packaging's performance continues in what remains a challenging trading environment. During 2017 we focused on enhancing our sales force effectiveness, making good progress in our release liner and technical films product areas. We further optimised the profitability of our product portfolio through process and production planning while remaining continually focused on finding smart ways to reduce waste and continuously improve our productivity and efficiency. We continue to do this by further specialising our plants and ensuring our people share technical know-how across operations.

During the year we completed the closure of a release liner site in the US and a consumer goods packaging plant in Poland. Customers are now being served from other plants in our network with a high retention rate. We also launched a programme to restructure the cost base. This involved various initiatives, including streamlining the UK operations following the successful integration of our 2017 acquisition of Excelsior Technologies Limited, the closure of the Polish plant mentioned above and reducing the fixed cost base across the business.

Invest in assets with cost advantage

We invested in expanding and upgrading the capabilities of our network to improve our product offering and better serve our customers, especially at our cost advantaged locations in central and eastern Europe. We also acquired the remaining shares that we did not already own in our plant in Amphor Khowyoi (Thailand) and approved its expansion to a fully integrated consumer goods packaging plant.

In recent years, we have invested significantly in the modernisation and growth of our Consumer Packaging business. In the near term, while capital investment opportunities in this business remain an option, we are focused on the optimisation of our existing operations and recent investments.

Inspire our people and grow responsibly

We continue to work on our safety culture and behaviour to ensure our people go home safely every day. To do this, all our leaders conduct risk focused audits to engage with employees and ensure critical controls are understood and adhered to. During the year we continued to put training and procedures in place to ensure the businesses we acquired in 2016 and 2017 meet the Mondi safety standards as quickly as possible.

Unfortunately, we experienced a life-altering injury at our Ascania (Germany) operation when rotating equipment caused an employee to lose four fingers. Moving and rotating equipment remains one of our highest safety risks and we will keep the spotlight on it by standardising safety features and conducting further training for all our employees on the related risks.

The environmental impact of Mondi's plastic-based flexible packaging is important for us. In line with Mondi's Growing Responsibly model, we have worked on improving our energy efficiency and reducing our 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, to support the circular economy principles. This initiative brings together more than 40 leading businesses – including some of our key customers – and a broad range of experts to re-think and re-design the future of plastics, starting with packaging.

We also continued to actively participate in industry associations. Among others, we are a founding member of the CEFLEX project (Circular Economy for Flexible Packaging) which targets more added value of flexible packaging in a circular economy. In addition to stimulating increased collection of flexible packaging in all European countries, the CEFLEX project aims to develop a robust set of design guidelines for flexible packaging to both maximise the overall resource efficiency and optimise recyclability.

It is people who drive performance. This year we spent significant time on individual performance reviews, assessments and recruiting, and we worked on improving our succession planning in the business. Two-way communication is critical in our business and the employee survey is one of the key tools we rely on to provide us with direct feedback from all our employees. Following the results of the 2015 survey, which identified a number of areas for improvement, we conducted a follow-up survey of the top 100 employees to establish the core values of our Consumer Packaging business and check on our progress. We were really encouraged to note the improvements, confirming that our current approach is yielding positive results.

Partner with customers for innovation

Partnering with our customers to develop innovative solutions for their success remains a critical value driver for Consumer Packaging. During the year we continued to innovate with our customers, from big brand owners to local champions, to deliver a range of product innovations. We also realigned our key account set-up to enable a closer partnership and better collaboration with our main customers.

Recent innovation activities were focused around four areas: flexible solutions to replace rigid alternatives, developing more sustainable plastic-based flexible packaging, delivering cost savings and increasing the performance of our product range such as improving barrier properties, convenience, shelf-appeal or product functionality.

One example is the launch of a form fill-and-seal flexible solution for Kellogg's cereals with a corner seal for easy opening, velcro for reclosability, premium print quality for shelf-appeal and reduced environmental footprint due to use of less raw materials. We also developed an innovative solution for dishwasher and fabric care packaging with our customer Werner and Mertz, made of two components, a 100% recyclable mono material pouch and a printed tear away label that require 70% less material than conventional rigid packaging. In response to consumers' growing appetite for snacks on-the-go, we also developed CornerPack, a new packaging solution with easy-to-use parallel semi-circular openings. Consumers simply tear the corner open along the highly intuitive scoring line of their choice giving them full control over the size of the opening and avoiding spillage.

Uncoated Fine Paper

Our Uncoated Fine Paper (UFP) business manufactures and sells an extensive range of quality papers for use in offices and professional printing houses.

We're a market leader, with a focus on emerging Europe, Russia and South Africa. We operate vertically integrated, well-invested, cost advantaged assets and continually look for ways to improve efficiency and productivity.

Our extensive range of office papers is designed to achieve optimal print results on laser, inkjet and copy machines. High-performance professional printing papers are dedicated for offset presses and the latest digital print technologies. With our wide range of high-quality papers we aim to provide customers a one-stop-shop solution for their needs.

Developing cost-efficient, high-performance, environmentally responsible solutions is a cornerstone of our business strategy. We continually strive to transform credibly sourced raw materials into innovative paper solutions to meet customer needs in a cost-effective and sustainable way.

Following the reorganisation of our business units, we now manage 2.1 million hectares of natural boreal forest in Russia and 245,000 hectares of plantation forests in South Africa.

Operating sites

6 in 4 countries

Employees

6,800

Production capacity

Pulp: 1,735 ktpa

Uncoated fine paper[1]: 1,985 ktpa

1 Includes newsprint

Key industries served

Graphic and photographic

Office and professional printing

Market positions

#1
Uncoated fine paper supplier in Europe

#1
Uncoated fine paper producer in South Africa

Production information

		2017	(Restated)[1] 2016
Uncoated fine paper	'000 tonnes	1,644	1,666
Hardwood pulp			
Internal consumption	'000 tonnes	950	963
Market pulp	'000 tonnes	395	356
Softwood pulp	'000 tonnes	375	375
Newsprint	'000 tonnes	277	313

Financial performance

€ million	% change	2017	(Restated)[1] 2016
Segment revenue	7%	1,832	1,720
Underlying EBITDA	(7)%	449	481
Underlying operating profit	(12)%	331	375
Underlying operating profit margin		18.1%	21.8%
Special items		(15)	(6)
Capital expenditure		122	92
Net segment assets		1,446	1,466
ROCE		27.8%	32.3%

Sustainable development

		2017	(Restated)[1] 2016
TRCR	per 200,000 hours worked	0.28	0.33
Energy consumption	million GJ	93.25	93.85
Scope 1 and 2 GHG emissions	million tonnes CO_2e	3.38	3.49
Forest certification	% managed land certified to FSC standards[2]	100[3]	100
FSC- or PEFC-certified wood procured	%	80	79
Environmental management certification	% of pulp and paper mills and forestry operations certified to ISO 14001 standards	100	100

1 Refer to note 2 in the notes to the combined and consolidated financial statements for basis of restatement

2 Our forestry operations in Russia are also 100% PEFC certified

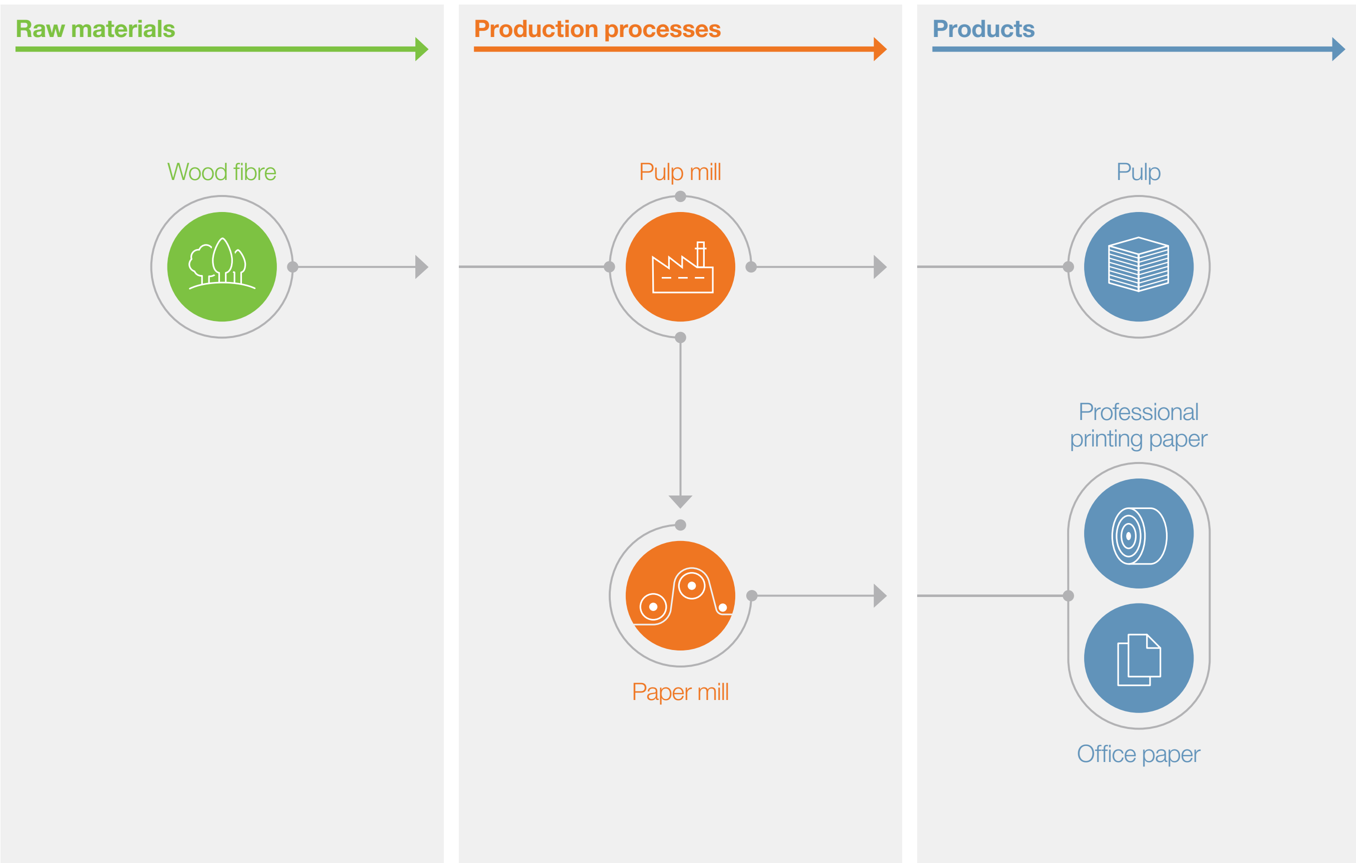
3 A new lease, acquired in 2017, of around 30,000 hectares will be certified in 2018

PERGRAPHICA®

We designed our PERGRAPHICA® portfolio of premium uncoated fine papers for perfectionists. As a hybrid paper, PERGRAPHICA® works well with all printing technologies and delivers consistent, high-quality results that meet the exacting needs of the creative and commercial print industries. Available in a smooth or rough texture, it enhances sophisticated messaging with an elegant look and feel. The choice of high white, classic or natural whiteness brings unique style to printed materials.

Color Copy

Our flagship office paper is by far the most well-known brand of office paper in Europe for colour printing applications. Customers have relied on it for over a quarter of a century for perfect print results and consistent quality. It also has an exceptional environmental profile: CO_2 neutral and FSC, EU Ecolabel and ISO 9706 certifications. Recently we redesigned its wrapper to be even stronger and more convenient to handle. It's still the same great Color Copy, now with packaging that is more user-friendly.



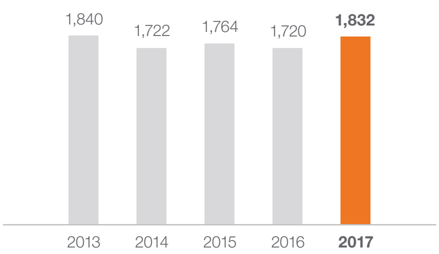
Business reviews
Uncoated Fine Paper

Delivering on our strategy

Strategic value drivers	Progress in 2017	2018 objectives
Drive performance along the value chain	→ Improved productivity and efficiency with performance improvement initiatives implemented across our network → Further optimised product mix in line with customer demand	→ Continue to optimise performance and increase productivity and efficiency in our mills and related forestry operations → Ramp up restarted uncoated fine paper machine in Merebank (South Africa)
Invest in assets with cost advantage	→ Good progress on modernisation of power plant and the investment in waste water treatment plant at Syktyvkar (Russia) → Continued work with Packaging Paper on the project to expand production at our Ružomberok mill (Slovakia)	→ Execute investment projects currently underway and evaluate investments to increase saleable production by 100,000 tonnes per annum in the medium term at Syktyvkar → Progress on Ružomberok mill expansion, in collaboration with Packaging Paper
Inspire our people and grow responsibly	→ Continued focus on contractor safety management following fatality → Landmark voluntary agreement to protect core areas of Intact Forest Landscapes in Russia	→ Continued focus on improving safety record → Progress investments to reduce environmental footprint of our mills and increase energy efficiency
Partner with customers for innovation	→ Launched the myMondi initiative providing customers with a single interface for product information, order processing and query management → Evolution of our cloud-based CRM platform (Cloud for Customer)	→ Continue to roll out the myMondi initiative with the objective to reach all customers by the third quarter of 2018 → Continue to improve delivery performance

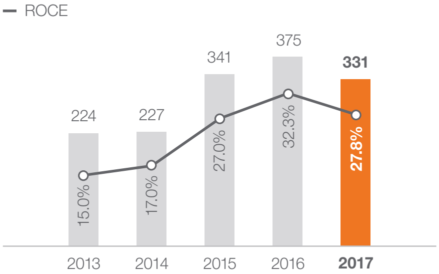
Segment revenue
€ million

€1,832m



Underlying operating profit
€ million

€331m



Financial review

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.

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 African 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 (South Africa) shuts are planned for the first half of the year and the remaining shuts are scheduled for the second half.

Drive performance along the value chain

During the year we kept our focus on driving the performance of our operations and reducing waste. Efforts to optimise machine performance and increase efficiency and productivity continued leading to record production at two of our pulp mills and three of our paper and pulp drying machines. We made ongoing productivity improvements at our forestry operations in Russia and South Africa, and at Syktyvkar we also focused on improving our administrative processes.

We continue to optimise our product mix in line with customer demand through strengthening the capabilities of our mill network. In order to improve the efficiency of our logistics, we have launched a new folio sheeter at our Neusiedler mill and conducted an extensive supply chain review in order to improve our delivery capability and provide higher delivery accuracy to our customers.

Due to the accelerated rate of local demand decline, we ceased production of newsprint at our Merebank mill 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.

Invest in assets with cost advantage

Our investments in modernising the power plant and waste water treatment plant at Syktyvkar are progressing well. The rebuilt power plant will replace three existing bark boilers and four turbines with a single new bark boiler and turbine providing process simplification, improved reliability, reduced costs, reduced natural gas consumption and increased use of biomass for energy. The waste water treatment plant investment aims to significantly improve waste water quality and reduce chemical oxygen demand and total suspended solids. These projects are on track with completion expected in early 2019 and late 2018, respectively.

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.

Inspire our people and grow responsibly

We remain committed to providing a safe and healthy workplace for our employees and contractors. We sincerely regret the fatality of a contractor at our South African forestry operations in February 2017 following a timber vehicle incident. We also experienced one life-altering injury when a contractor lost sight in one eye due to the incorrect use of an angle grinder during the annual Syktyvkar shut. In addition, a forestry worker was reported missing (presumed deceased) during cleaning activities on the Vychedga river near Syktyvkar. Thorough investigations are conducted after all incidents and action plans have been implemented across Mondi to prevent any repeat incidents. Our 2017 TRCR is below the limit we set for ourselves and we continue to strive to achieve a culture and safety performance where everybody works safely and returns home safely every day.

Our additional focus on contractor safety management and implementation of Mondi's risk assessment methodology across all our sites aims to ensure safe annual maintenance shuts and projects in 2018. We have placed special emphasis on engineering out risks related to moving and rotating machinery. Our focus on top risks has contributed to our improved performance over the years and as a result, we will continue this approach. The majority of our first line managers have completed our tailor-made safety and health programme, and all safety and health professionals complete a four-module in-depth specialist training.

We continue to improve the environmental performance of our operations. At Ružomberok we invested in further odour abatement initiatives including odour from the mill's waste water treatment plant.

Working in partnership with NGOs, government and business is central to our approach. We are proud of our progress in protecting Intact Forest Landscapes as these large unfragmented areas, undisturbed by roads or other significant human infrastructure, are globally recognised as priority protection areas. In Russia we have partnered with WWF Russia and Silver Taiga to identify and protect these areas in the Komi Republic.

This collaboration has allowed us to sign a landmark voluntary agreement between Mondi, WWF Russia and Silver Taiga to protect the core areas of Intact Forest Landscapes in our Russian forestry operations.

We have an extensive community engagement and investment programme focused on areas around our mills and people living on our forestry land. A key initiative in South Africa is the Mkhondo Development Project, a pioneering public-private partnership set up to improve the living conditions of people living in isolated villages on our forestry land, and to find sustainable solutions to alleviate poverty.

Partner with customers for innovation

During the year, we launched the myMondi initiative, a web-based solution providing customers with detailed product information, the ability to place and track orders, and functionality to enquire and follow up on product and order-related queries. This easy-to-use, 24/7 service was positively received by customers during the pilot phase resulting in it being rolled out to a wider range of customers during the second half of the year. We plan to give all customers access by the third quarter of 2018. Quarterly updates have, and will continue to, further enhance this service and provide the best solution to meet our customers' needs, while identifying efficiency gain opportunities and related benefits internally.

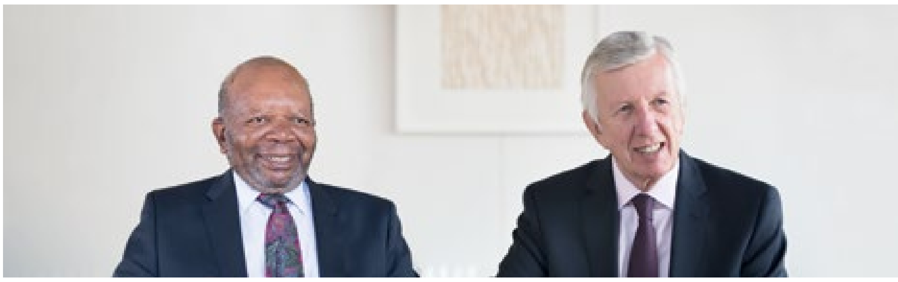
During 2017 our cloud-based CRM platform, Cloud for Customer, evolved. This tool, launched in 2016, was enhanced during the year by adding new functionality, reinforcing and promoting existing capabilities and highlighting its analytical potential. These developments support our ongoing commitment to finding solutions that maximise benefits for both our customers and our business.

Overview
Strategic report
Governance
Financial statements

Governance

Our flexible paper bag is the next generation in sustainable courier express solutions, enabling a faster packaging process and lower logistic costs.

Introduction from Joint Chairmen



"Mondi has a strong governance framework designed to promote high ethical standards."

Fred Phaswana
David Williams
Joint Chairmen

Dear fellow shareholder

You will have seen our introduction to the Integrated report and read the Strategic report on pages 12 to 77. Here we wish to provide some further detail on how the Boards have operated during the year, how our governance framework is working in practice and the key areas of focus for us.

Strategy

Our clear and consistent strategy is to deliver value accretive growth by focusing on our four strategic value drivers – to drive performance along the value chain; to invest in assets with cost advantage; to inspire our people and grow responsibly; and to partner with our customers for innovation. After the Boards' detailed review of Mondi's strategy during the year, we continue to believe that our approach remains appropriate and supports our commitment to delivering long-term value to shareholders.

During 2016 and early 2017 a number of large capital investment projects were approved in line with our strategy, including a new 300,000 tonne per annum kraft top white machine and related pulp mill upgrade at Ružomberok (Slovakia) and an investment of €335 million to modernise our mill at Štětí (Czech Republic). These investments are progressing well, with regular updates provided to the Boards during the year, allowing developments to be monitored. Visits to both sites by members of the Boards were undertaken during the year, allowing the directors to hear first hand about the development of these projects from local management. More information can be found on page 91.

During the year, the Boards also considered a number of potential acquisitions. In particular, we approved the acquisition of Powerflute Group Holdings Oy (Finland), a producer of high-performance semi-chemical fluting.

The proposed acquisition, which remains subject to competition clearance and customary closing conditions, will be integrated into Mondi's Packaging Paper business unit and will allow us to expand our customer offering in terms of both product range and geographic reach.

Further information relating to Mondi's strategy and developments during the year can be found in the Strategic report on pages 12 to 77.

Board composition

During 2017 there were two key changes to our board composition.

Firstly, as announced in February 2017, David Hathorn stepped down as Mondi's Group Chief Executive Officer at the conclusion of the Annual General Meetings on 11 May 2017 after 26 years with Mondi. While it was with sadness that we said goodbye to David, we were delighted to appoint Peter Oswald as Group Chief Executive Officer. Peter has now been in the role for almost a year and has proven that he is extremely capable of leading the Group, providing continuity but at the same time looking to move the business forwards and working to establish his own relationships with investors and other stakeholders. Further details of Peter's appointment can be found on page 95. Following his appointment, Peter took the opportunity to review the membership of the DLC executive committee. This resulted in the appointment of a number of additional members designed to better reflect the structure of the business and to provide the committee with a broader perspective. Further details can be found on page 110.

Secondly, Anne Quinn stepped down as a non-executive director and from her roles as Senior Independent Director and chairman of the DLC remuneration committee, also at the conclusion of the Annual General Meetings on 11 May.

John Nicholas replaced Anne as Senior Independent Director and Tanya Fratto took over Anne's role of remuneration committee chairman, having served on the committee since her appointment to the Boards on 1 January 2017. This, in addition to her experience gained as a member of another remuneration committee prior to her appointment to Mondi, meant that Tanya was well-placed to take over the role.

Although the composition of the committees is kept under regular consideration, these changes prompted a more thorough review of committee memberships, resulting in changes to the membership of the audit, sustainable development and social and ethics committees, as well as the executive committee as already explained. Further details can be found in each committee's report.

Safety

Safety remains a key priority for us and is a focus of every board meeting. We were deeply saddened by the two fatalities we experienced during the year, one in our South African forests following a timber vehicle incident and the other at our Tire Box plant in Turkey during electrical fault-finding activities at a bundle-strapping machine. In addition, an employee was reported as missing (presumed deceased) in Russia during preparation for cleaning activities on the river in our Syktyvkar logging operations. In all instances, we were kept fully up to date by management of the investigations in order to help us to understand the events involved and how we might prevent such incidents in the future. We continue to strive for zero harm and this goal remains fundamental to the way we do business.

Building on the Top 5 Fatal Risks approach introduced in 2013, we continued to address the top risks in all of our operations in 2017 in order to engineer them out of the business or, where this isn't possible, to implement robust controls. We also apply our top risks approach to our maintenance shuts – during which between 200 and 3,000 contractors work on-site at our mills at any one time – as some of our highest risk activities occur during these shuts and large or non-routine projects. We continue to strengthen and review our risk assessments and controls to prevent serious injuries from happening again. We also acknowledge that we need to place more importance on behavioural aspects of safety, so in 2017 we introduced the 24-hour safety mindset, whereby safety is seen as something we do for ourselves, for our families, and for our colleagues and their families. We will continue to strengthen our safety culture and our engagement and training efforts to prevent serious incidents from occurring in the future.

Culture, values and engagement

Maintaining a culture that we can be proud of, that encourages people to want to work for Mondi and that promotes ethical behaviour is central to our decision-making and the way in which the Boards operate. Mondi is a culturally diverse organisation with operations in more than 30 countries and so having a set of common values and goals, while respecting local customs and methods of working, is key to achieving this. We believe that clear values and a focus on ethical behaviour allow the business to perform more efficiently and effectively and are supportive of our long-term strategy.

Mondi has a strong governance framework designed to promote high ethical standards. This is supported by a number of Group policies. Mondi's code of business ethics, setting out five principles governing the way in which we do business, is integrated throughout the Group and is widely understood. The code clearly communicates to employees and other stakeholders the values that are most important to the business and forms the basis of the behaviour we expect from everyone we work with. In addition, our business integrity policy addresses more specifically our position on anti-bribery and anti-corruption matters. Our approach is explained in more detail on page 53.

Culture is a key consideration when we are looking to make acquisitions, with a review of personnel issues, management and compliance processes forming part of our due diligence processes. Time is also spent following an acquisition in ensuring that our policies, procedures and practices are implemented, particularly when it comes to safety and business integrity. There was specific focus during 2017 on the safety standards of those businesses acquired during 2016 and significant work has been undertaken to ensure that our culture in this regard is embedded and that they meet the same high standards as the remainder of the Group.

Engagement with employees is critical to ensuring that Mondi's values are put into practice. There are a number of ways in which the Group Chief Executive Officer communicates with employees, including open-door days, question and answer sessions, videos and newsletters. Members of the DLC executive committee are encouraged to offer similar opportunities. The first virtual leadership meeting for Mondi's senior leaders was also held during the year.

During January 2018 Mondi undertook a Group-wide employee survey, the last one having been carried out at the end of 2015. While the results are not yet available, the results and any key messages or concerns that they might highlight will be reviewed by the Boards and the implementation of any required actions by management monitored. The high level of responses to these surveys suggests that employees appreciate the opportunity to have their views heard and feel that it is worthwhile taking the time to respond.

We also look to engage with shareholders and our wider stakeholders wherever possible so that we can understand their views and consider their interests during our board deliberations. Their views provide us with a different perspective and help us to ensure that our discussions are not too inwardly-focused. A programme of investor events takes place throughout the year as well as consultation on specific matters where appropriate. In addition, the remit of the DLC sustainable development committee includes stakeholder engagement and one of its key areas of focus is the way in which Mondi interacts with our stakeholders including local communities, NGOs and suppliers.

The impact our business has on the environment is also the subject of regular review. Such engagement will continue to be a focus for us during the coming year. More information can be found on pages 111 and 112.

Governance

The governance environment in which we operate has continued to evolve during the year with the introduction of the South African King IV Governance Code. We regularly review our governance framework and practices to ensure they are still appropriate and where necessary, changes have been made to ensure we are in line with the new provisions. The new code increases the focus on ethical behaviour, sustainable practices and diversity. We also note the revised version of the UK Corporate Governance Code recently published for consultation, which looks to further develop the same areas.

Your Boards are reviewing the proposals set out in the consultation and will look to amend our practices where appropriate.

The key matters considered by each of the committees during the year are set out later in the report but we highlight in particular the work of the DLC nominations committee in relation to diversity, reviewing the initiatives Mondi has in place, considering the long-term aims in this regard and updating the Group's diversity policy to reflect these. The completion of the audit transition from Deloitte to PwC was a key focus for the DLC audit committee and the DLC sustainable development committee spent time considering the requirements of the UK Modern Slavery Act, resulting in approval by the Boards of a statement on Mondi's practices.

The following report is intended to demonstrate how our governance framework operates on a day-to-day basis and how this influences Mondi's culture and the way in which the Group is managed. We hope that, together with the Strategic report and Financial statements, this will provide you with an overview of how we are looking after the interests of you, our shareholders, as well as our wider stakeholders and the way in which governance is integrated into our business.

Fred Phaswana
Joint Chairman

David Williams
Joint Chairman

Board of directors

Fred Phaswana
73
Joint Chairman

Appointed
June 2013
Independent
Yes (on appointment)
Committee memberships
Nominations, social and ethics
Qualifications
MA (Unisa),
BCom (Hons) (RAU),
BA (Philosophy, Politics and Economics) (Unisa)

Experience
Fred has a wealth of experience in African and global businesses with well developed strategic and commercial skills having previously been regional president of BP Africa, a non-executive director of Anglo American plc and chairman of Anglo American South Africa, Anglo Platinum, Transnet, Ethos Private Equity, the South African Energy Association and the Advisory Board of the Cape Town Graduate School of Business. Fred was chairman of Standard Bank group and The Standard Bank of South Africa between 2010 and 2015. He was also the former vice chairman of WWF South Africa and Business Leadership of South Africa and was the honorary president of the Cape Town Press Club.

External appointments
Chairman of the South African Institute of International Affairs and non-executive director of Naspers Limited.

David Williams
72
Joint Chairman

Appointed
May 2007 and as Joint Chairman in August 2009
Independent
Yes (on appointment)
Committee memberships
Nominations (chairman), remuneration
Qualifications
Graduated in economics from Manchester University, chartered accountant (UK)

Experience
David has significant experience in senior financial roles held across a range of multinational companies, with board experience as both an executive and non-executive director. He retired as Finance Director of Bunzl plc in January 2006, having served on the board for 14 years. He was previously a member of the Tootal management board and Finance Director of Tootal plc. David has also held senior independent director and committee chair roles at a number of companies. Formerly a non-executive director of the Peninsular & Oriental Steam Navigation Company, Dewhirst Group plc, Medeva plc, George Wimpey plc, Taylor Wimpey plc, Tullow Oil plc, Meggitt plc and Dubai-based DP World Limited.

External appointments
None.

Peter Oswald
55
Chief Executive Officer

Appointed
January 2008 and as Chief Executive Officer in May 2017
Independent
No
Committee memberships
Executive (chairman), sustainable development, social and ethics
Qualifications
Graduated in law from the University of Vienna and in business administration from WU-Vienna Business School

Experience
Peter has over 26 years' experience in the packaging and paper sector with detailed knowledge of operations and extensive experience in acquisitions, the restructuring, turnaround and organic growth of businesses and inspiring large teams. He began his career with Deutsche Bank and automotive company KTM. He joined the Frantschach Group in 1992 as the Head of Internal Audit, later becoming Corporate Controller.

After serving as chief executive of the bag and flexibles business from 1995 to 2001, he was appointed chief executive of Mondi Packaging Europe in 2002, leading its subsequent integration with Frantschach into the new Mondi packaging division. Having held a number of senior executive roles within Mondi, Peter was appointed Chief Executive Officer of the former Europe & International Division in January 2008 and Chief Executive Officer of the Mondi Group in May 2017.

He was a non-executive director of Telekom Austria AG between 2008 and 2014 and of MIBA AG between 2014 and 2015 and chairman of the supervisory board of OMV AG between 2015 and 2016.

External appointments
None.

Andrew King
48
Chief Financial Officer

Appointed
October 2008
Independent
No
Committee membership
Executive
Qualifications
Graduated in commerce from the University of Cape Town, chartered accountant (South Africa)

Experience
Andrew has more than 15 years' experience with Mondi in various strategy, business development and finance roles. He has played a key role in defining the Group's strategic direction and re-shaping the capital structure since listing.

Andrew completed articles with Deloitte & Touche in Johannesburg in 1994. In 1995 he joined Minorco, part of Anglo American, as a financial analyst, before assuming responsibility for the group's investment management activities, and transferring to their corporate finance department in 1998. He worked on a number of group M&A activities before being appointed a vice president of Anglo American Corporate Finance in 1999. He was appointed Mondi's Vice President of Business Development in 2002 and Corporate Development Director in 2004. He served as Chief Financial Officer of Mondi from June 2005 to May 2006. He was then appointed as Group Strategy and Business Development Director before becoming the Chief Financial Officer of the Mondi Group in 2008.

External appointments
None.

John Nicholas
61
Senior Independent Director

Appointed
October 2009 and as Senior Independent Director in May 2017

Independent
Yes

Committee memberships
Audit (chairman), nominations

Qualifications
Master's degree in business administration from Kingston University, chartered accountant (UK)

Experience
John has business and commercial experience, in particular experience of capital intensive manufacturing companies. John spent his early career in technology-focused international manufacturing and service companies involved in analytical instruments, fire protection and food processing. He became Group Finance Director of Kidde plc on its demerger from Williams Holdings and was Group Finance Director at Tate & Lyle plc from 2006 to 2008. He was a non-executive director of Ceres Power Holdings plc until December 2012, chairing the audit committee, and a non-executive director of Rotork p.l.c. until stepping down in February 2017, having served on the board for nine years and as the Senior Independent Director since June 2014.

John served six years until April 2015 as a member of the UK Financial Reporting Review Panel, which seeks to ensure that the provision of financial information by public and large private companies complies with relevant reporting requirements.

It was announced in September 2017 that John will retire as a non-executive director of Hunting PLC at its Annual General Meeting in April 2018 after almost nine years in the role.

External appointments
Non-executive director of Hunting PLC where he chairs the audit committee, chairman of Diploma PLC where he was previously the senior independent director and chair of the remuneration committee and non-executive director and chairman designate of Porvair plc.

Dominique Reiniche
62
Non-executive director

Appointed
October 2015

Independent
Yes

Committee memberships
Nominations, remuneration, sustainable development

Qualifications
MBA from ESSEC Business School in Paris

Experience
Dominique has extensive business understanding of operating in Europe and has international consumer marketing and innovation experience. She started her career with Procter & Gamble before moving to Kraft Jacobs Suchard as Director of Marketing and Strategy where she was also a member of their executive committee. After helping Jacobs Suchard through its acquisition by Kraft, Dominique joined The Coca-Cola System in 1992, starting in sales and marketing and then holding various roles of increasing responsibility up to General Manager France. From 2002 to early 2005 she was President Europe for Coca-Cola Enterprises and from 2005 she was President Europe for the Coca-Cola Company and then chairman from 2013 until stepping down in 2014.

Dominique was a non-executive director of Peugeot-Citroen SA between 2012 and 2015 and of AXA SA between 2005 and 2017.

External appointments
Non-executive director of Chr. Hansen Holding A/S, Paypal (Europe) and Severn Trent Plc.

Stephen Harris
59
Non-executive director

Appointed
March 2011

Independent
Yes

Committee memberships
Audit, nominations, remuneration, sustainable development (chairman), social and ethics (chairman)

Qualifications
Chartered engineer, graduated in engineering from Cambridge University, master's degree in business administration from the University of Chicago, Booth School of Business

Experience
Stephen has extensive experience in engineering and manufacturing having spent his early career with Courtaulds plc and then moved to the USA to join APV Inc from 1984 until 1995, where he held several senior management positions. He was appointed to the board of Powell Duffryn plc as an executive director in 1995 and then went on to join Spectris plc as an executive director from 2003 until 2008. He was also a non-executive director of Brixton plc from 2006 to 2009.

External appointments
Chief Executive Officer of Bodycote plc.

Tanya Fratto
57
Non-executive director

Appointed
January 2017

Independent
Yes

Committee memberships
Audit, nominations, remuneration (chairman)

Qualifications
BSc in electrical engineering

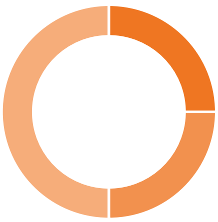
Experience
Tanya has wide experience in product innovation, profit and loss, sales and marketing and engineering in a range of sectors. Tanya also has extensive knowledge of operating in the US. She was CEO of Diamond Innovations, Inc., a world-leading manufacturer of super-abrasive products, until 2010. Before that she enjoyed a successful 20-year career with General Electric where she ran a number of businesses and built an experience base in product management, operations, Six Sigma and supply chain management. Prior to starting her career with General Electric, she worked at International Paper Company.

External appointments
Non-executive director of Advanced Drainage Systems, Inc., Smiths Group plc and Ashtead Group plc.

Corporate governance report

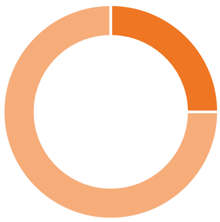
Composition of the Boards

Joint chairmen	2
Executive directors	2
Non-executive directors	4



Diversity of the Boards
%

Female	25%
Male	75%



Compliance statement

Mondi's dual listed company structure requires us to comply with the principles contained in the South African King IV Code of Corporate Governance Principles (available at www.iodsa.co.za) and the provisions of the April 2016 edition of the UK Corporate Governance Code issued by the Financial Reporting Council (available at www.frc.org.uk).

It is the view of the Boards that Mondi has complied throughout the year with all the provisions of the UK Corporate Governance Code. During the year, Mondi has assessed its compliance with King IV, which was published in November 2016 and replaces King III, and as a result, the Boards are also of the view that Mondi has been in compliance with the principles of King IV. Examples of Mondi's application of the recommended practices set out in King IV can be found throughout this governance report.

A more detailed analysis of Mondi's compliance with King IV is available on the Mondi Group website at www.mondigroup.com.

The Boards note the Financial Reporting Council's consultation on a new UK Corporate Governance Code. We are monitoring developments and await the final outcome of the consultation, at which time we will review any potential implications for Mondi.

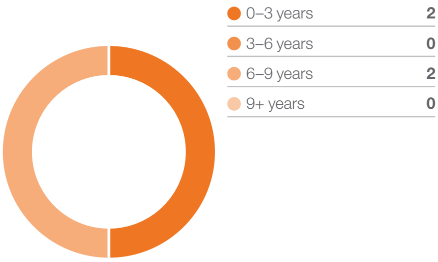
Composition of the Boards

The directors holding office during the year ended 31 December 2017 are listed on page 85, together with their attendance at board meetings. As at 31 December 2017 there were eight directors: the Joint Chairmen, four non-executive directors, each considered by the Boards to be independent, and two executive directors.

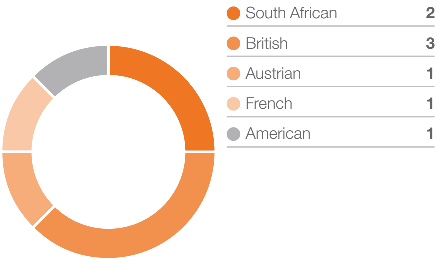
The size and composition of the Boards and its committees are kept under review by the nominations committee. We are of the view that collectively there is an appropriate balance of capabilities, business experience, independence and diversity on the Boards to meet the Group's current business needs. The directors have experience gained from a range of international organisations.

Those in office as at the date of this report, together with their biographical details, can be found on pages 82 and 83.

Non-executive director tenure



Nationalities represented on the Boards



Directors	Mondi Limited board (one meeting)	Mondi plc board (one meeting)	DLC board (seven meetings)
Fred Phaswana	1	1	7
David Williams	1	1	7
Tanya Fratto	1	1	7
Stephen Harris	1	1	7
David Hathorn[1]	1	1	3
Andrew King	1	1	7
John Nicholas	1	1	7
Peter Oswald	1	1	7
Anne Quinn[2]	1	1	3
Dominique Reiniche	1	1	7

1 David Hathorn retired from the boards of Mondi Limited and Mondi plc on 11 May 2017. David attended all meetings up to the time of his retirement from the Boards

2 Anne Quinn retired from the boards of Mondi Limited and Mondi plc on 11 May 2017. Anne attended all meetings up to the time of her retirement from the Boards

Professional advice

A policy is in place pursuant to which each director may obtain independent professional advice at Mondi's expense in the furtherance of their duties as a director of either Mondi Limited or Mondi plc. No requests were received during the year.

In addition, each of the committees are empowered, through their terms of reference, to seek independent professional advice at Mondi's expense in the furtherance of their duties.

D&O insurance

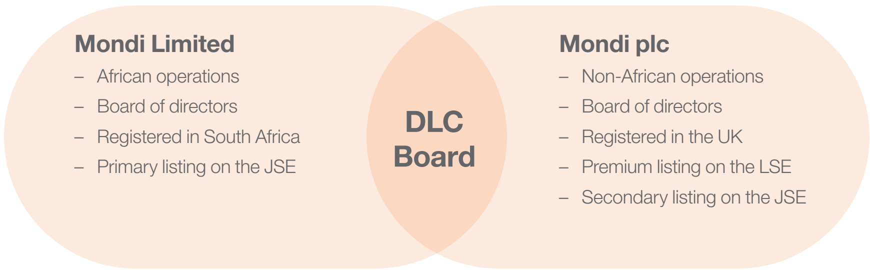
Throughout the year to 31 December 2017, in line with market practice, Mondi maintained directors' and officers' liability insurance.

Procedure for conflicts of interest

Company law, the memorandum of incorporation of Mondi Limited and the articles of association of Mondi plc allow directors to manage potential conflicts. A formal procedure is in place for the reporting and review of any potential conflicts of interest involving the Boards with support from the Company Secretaries, with authorisations reviewed on an annual basis.

Corporate governance report

Board structure

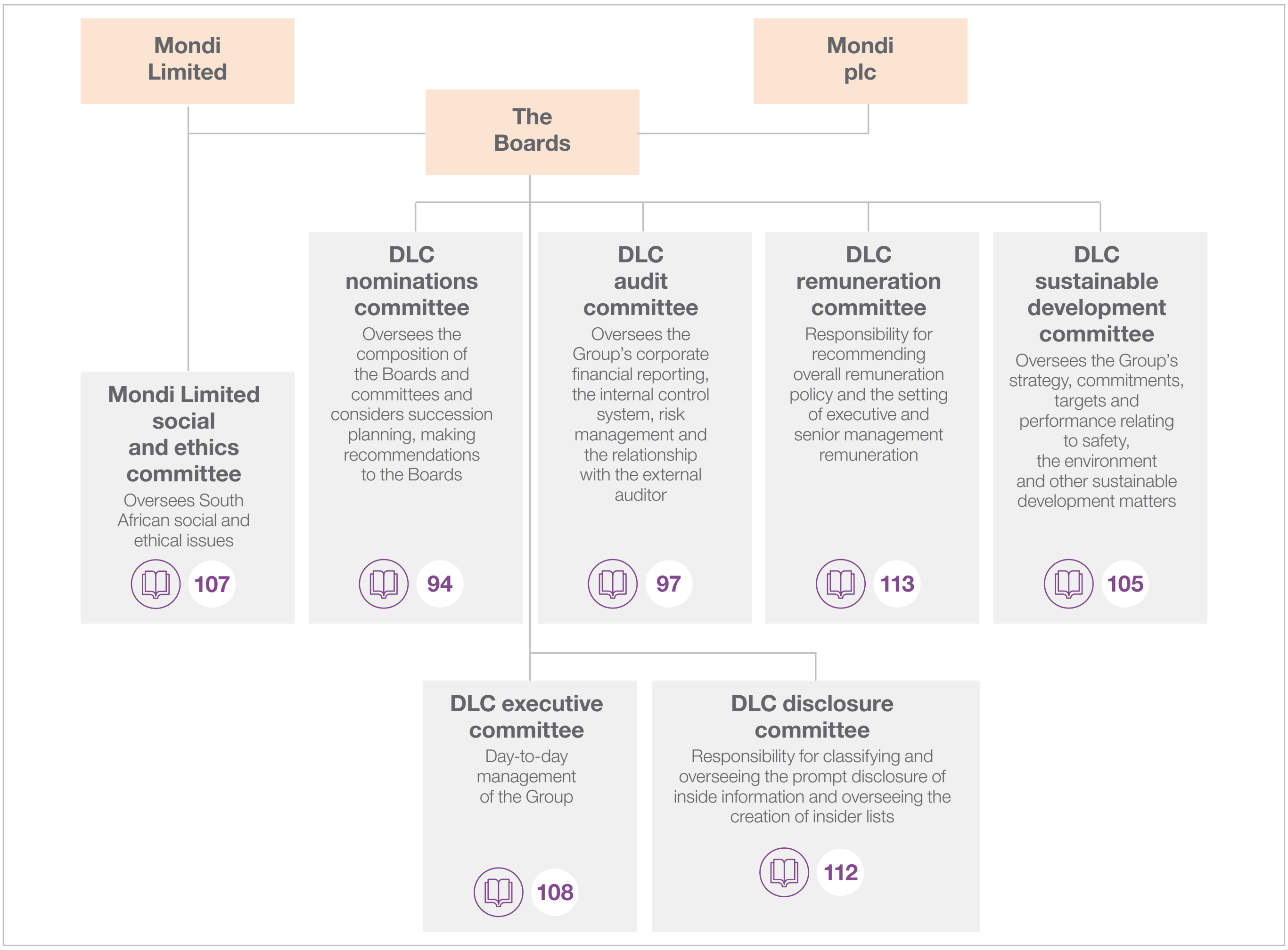


Single unified economic enterprise

Mondi comprises Mondi Limited, registered and listed in South Africa, and Mondi plc, registered and listed in the UK. Each entity has its own board of directors comprising the same individuals. This enables the effective management of the DLC structure as a single unified economic enterprise with due consideration being given to the interests of the ordinary shareholders of both Mondi Limited and Mondi plc.

Leadership of the Boards comes from the Joint Chairmen. Having joint chairmen brings to the Boards a diversity of knowledge, experience and shared values. They have agreed a rolling agenda to ensure that all key matters reserved for the consideration of the Boards are covered in the annual cycle of meetings. Agendas for each meeting are agreed with the chairmen to ensure that, in addition to regular items, consideration is being given to matters that may impact the Group's operations from the wider economic or business environment. During 2017 for example the Boards received presentations on Russia and Turkey as well as the new South African King IV Code of Corporate Governance Principles. Responding appropriately to the changing environment in which the Group operates is vital for Mondi's long-term success.

The Boards meet at least six times a year as a DLC board plus at least once each year as separate legal entity boards. Each board programme is usually held over two days enabling the directors to spend more time together and form a greater understanding of each other's characters, aiding discussion and challenge in the board room and creating a positive and constructive dynamic. Fred Phaswana chairs those meetings held in South Africa and David Williams those held in Europe. Together they oversee the distribution of appropriate, accurate and well-presented materials, with meeting packs being circulated electronically a week before each meeting. They also ensure there is sufficient debate and consultation with management and advisers as well as between the directors themselves during meetings, allowing considered and effective decisions to be reached. As appropriate, other senior executives and advisers are invited to attend and present at meetings, providing the non-executive directors with a broader perspective on matters under consideration.



The Boards are supported by the committees that have been established in line with governance practice and to which the Boards have delegated specific areas of responsibility. The role of each committee is described in more detail later in this report. Each committee has the authority to make decisions according to its terms of reference. Work programmes are agreed by each committee that are designed around the annual business calendar and their respective terms of reference. The matters reserved for the Boards together with the terms of reference of each of the committees are reviewed on an annual basis and when there have been changes in circumstances, governance or regulation. These are available on the Mondi Group website. During 2017 certain of the committee terms of reference were updated, primarily in response to changes introduced by King IV.

The committees meet prior to meetings of the Boards to enable the committee chairs to report to the Boards. This facilitates the communication between directors. It also ensures that all aspects of the Boards' mandate have been addressed and enables any necessary recommendations or advice relevant for deliberations to be provided.

Only committee members are entitled to attend committee meetings, although the chairman of each committee can invite, as they consider appropriate, management and advisers to meetings to provide information and insights, answer questions and to assist the committees in carrying out their duties.

Corporate governance report

How the Boards spent their time

The chairmen agree an annual work programme for the Boards that ensures all matters reserved for review by the Boards are covered. The Boards are satisfied that this was the case during the year. Additional matters are added to each meeting agenda as the need arises throughout the year, usually in connection with strategic opportunities that have presented themselves or where market conditions or operational performance discussions trigger a request for a more in-depth review.

Each meeting includes a report from the Chief Executive Officer providing an operational update; a report from the Chief Financial Officer on the Group's financial performance; an update on safety performance; country assessments for key geographic locations where the Group operates; and a report from the Company Secretaries on recent governance and regulatory matters.

Other matters addressed by the Boards during the year included:

Financial performance

- Review and approval of the full and half-yearly results and associated announcements and the trading updates and consideration of feedback from investors and analysts following the results roadshows.
- Review and approval of the Mondi Group Integrated report and financial statements, ensuring they are fair, balanced and understandable (see page 102 for more information).
- Consideration of dividend recommendations and declarations in light of the Group's stated dividend policy, financial performance and strong cash generation.
- Review and approval of the Group business plan for 2018–2020 and the budget for 2018, considering assumptions made and the reasonableness of the plan and focusing on the operational overviews, cash flow management and capital allocation.
- Annual reviews of the Group treasury position and Group tax strategy, including approval of the Group's tax strategy statement for publication on Mondi's website.

Strategy formulation and monitoring

- A strategy review session, considering where Mondi is today, its strategic focus, options for future growth and detailed business unit strategic initiatives, resulting in continued support for Mondi's strategic direction (see page 20 for more information).
- Regular review of potential growth opportunities identified by management.
- Regular review of competitor analyses.
- Regular review of shareholder analysis reports.

Operational performance

- Detailed reports in relation to the fatalities in South Africa and at our Tire Box plant (Turkey) and in relation to a forestry worker reported missing (presumed deceased) in Russia. The Boards were deeply saddened by the fatalities and it was important to ensure that they had full details of the investigations and could oversee management's response.
- Reports from the chief executive officers of a number of the business units, providing more detailed insights into each business, in particular the markets, pricing and performance.
- Consideration and approval of a reorganisation of the Group's business segments.
- Monitoring of the implementation of a number of large capital projects, particularly at Ružomberok, Štětí and Syktyvkar.
- A presentation from the Chief Innovation Officer providing a detailed overview of innovation activity and processes throughout the Group and examples of key products developed as a result.

Governance and risk management

- Regular reports from the chairman of each committee.
- Review of the Group's corporate governance framework.
- Review and approval of the renewal of Stephen Harris' term of office (see page 92 for more information).
- Review and approval of the Group's Modern Slavery Act statement.
- A report on South African land reform, including an update on the regulatory environment and proposed options for consideration.
- Review of the output from the internal board evaluation process and agreement of an action plan (see page 93 for more information).
- A review of the Group's risk management processes, plan and risk tolerance levels and internal controls, with consideration of risk monitoring, mitigation activities and independent assurance processes.
- Half-yearly presentations on IT risks and cyber security (see page 99 for more information).
- Review of the Group insurances, ensuring an appropriate balance of risk between the Group and our insurers.
- Review and approval of directors' declarations related to potential conflicts of interest.
- Consideration of governance and regulatory developments, in particular the implementation of King IV.
- Review of principal Group policies and, in particular, agreed changes to the diversity policy.
- Review of arrangements for the Annual General Meetings, in particular feedback received from shareholders and voting indications.

Succession planning

- Consideration of a recommendation to appoint Peter Oswald as Group Chief Executive Officer.
- Consideration of recommended changes to the membership of the DLC executive committee.
- Consideration of recommendations from the DLC nominations committee in relation to a number of key roles.
- Consideration of succession and talent management plans.

Other

- Consideration of a number of regular matters that are reserved for the Boards (see schedule on the Mondi Group website).

Board responsibilities

Chairmen and Chief Executive Officer

Mondi has joint chairmen, Fred Phaswana and David Williams, with the Chief Executive Officer role held separately by Peter Oswald. The division of responsibilities between the Joint Chairmen and the Chief Executive Officer has been clearly defined and approved by the Boards. They do however work closely on matters such as the relationships with major shareholders and other external parties. The Joint Chairmen provide support and advice while respecting the executive responsibility of the Chief Executive Officer. They maintain an effective relationship and have regular interaction through meetings and telephone calls outside the formal board meeting cycle. This provides opportunities for regular updates on business objectives and priorities.

Having joint chairmen ensures the Group and its stakeholders benefit from an extensive knowledge and experience of the jurisdictions relating specifically to its dual listed company structure. The Joint Chairmen maintain a regular dialogue with each other and manage the Boards through mutual agreement.

The main positions held by each of the Joint Chairmen outside the Mondi Group are detailed in their biographies set out on page 82. There have been no changes to the commitments of either chairman during the year. Both chairmen were independent upon appointment.

With the Joint Chairmen now having minimal commitments external to Mondi, the Boards continue to consider that they each devote sufficient time to their duties to Mondi, with both having attended all meetings and made themselves available to management and other directors when required.

Role	Key responsibilities include:
Joint Chairmen Fred Phaswana David Williams 82 See biographies	→ to lead and manage the Boards, setting the agenda, providing direction and focus, ensuring effectiveness and open and transparent debate → to ensure there is a constructive relationship between the executive directors and non-executive directors → to ensure high standards of corporate governance and ethical behaviour and oversee the culture of the Group → to oversee the induction, training and development of directors and the consideration of succession → to ensure effective communication with shareholders and other stakeholders → to ensure the Boards receive accurate, timely and clear information to support discussion and decision making
Chief Executive Officer Peter Oswald 82 See biography	→ to lead and manage the business with day-to-day responsibility for running the operations and, in particular, the execution of strategy within the delegated authority from the Boards → to ensure the communication of Mondi's values and goals throughout the organisation, leading by example → to chair the DLC executive committee and lead and motivate the management team → to ensure the Group has effective processes, controls and risk management systems → to develop and implement Group policies, including with regard to safety and sustainability → together with the Chief Financial Officer, to lead the relationship with institutional shareholders
Executive director Andrew King 82 See biography	→ to manage the day-to-day operations of the Group, in this case within his remit as Chief Financial Officer, in accordance with authority delegated by the Boards

Corporate governance report

Role	Key responsibilities include:
Senior Independent Director (SID) John Nicholas 83 See biography	→ providing support to, and acting as a sounding board for, the Joint Chairmen and other non-executive directors → acting as a point of contact for shareholders → being available as a trusted intermediary for the other directors, as necessary → chairing a meeting of the non-executive directors at which the performance of the Joint Chairmen is considered
Independent non-executive directors Tanya Fratto Stephen Harris Dominique Reiniche 83 See biographies	→ to provide independent oversight of the Group's activities → to offer an external perspective to, and constructively challenge, management → to monitor management performance and the development of the organisational culture → to review and agree strategic priorities and monitor the delivery of the Group's strategy → to ensure the integrity of financial reporting and the effectiveness of internal controls and risk management → to determine executive director remuneration
Company secretaries Philip Laubscher Jenny Hampshire 109 See biographies	→ to support the Joint Chairmen in the delivery of accurate and timely information ahead of each meeting → to ensure compliance with board and committee procedures → to act as a key point of contact for Joint Chairmen and non-executive directors → to provide support to the Boards and committees, and advise on governance, statutory and regulatory requirements, including presenting a report at each board meeting highlighting any areas of development or change → to provide advice on legal, governance and listing requirements in both South Africa and the UK, in particular relating to continuing obligations and directors' duties

Senior Independent Director

During the year, John Nicholas was appointed as Mondi's Senior Independent Director (SID) following Anne Quinn's retirement from the Boards. The SID has a key role to play in ensuring the smooth operation of the Boards, primarily by providing support to the Joint Chairmen, as well as the other directors, where required. The function and duties of the SID are set out in a separate statement of responsibilities.

Non-executive directors

The non-executive directors provide a valuable level of independent oversight of the Group's activities and constructive challenge of management. Their varied business backgrounds enable them to apply diverse knowledge and experience to issues raised with the Boards, particularly when considering strategic growth opportunities. They each actively participate in the decision-making, discussing and tackling issues with a frankness and openness of mind, and dedicate sufficient time to effectively discharge their duties to Mondi.

Meetings of the non-executive directors are held twice a year. These meetings focus particularly on the performance of the executives although the agendas are driven by the non-executive directors themselves and cover a variety of topics. One of these meetings is attended by the Chief Executive Officer in order to provide input to the discussions on executive performance and succession.

Company secretaries

The Company Secretary of Mondi Limited and of Mondi plc work together on the co-ordination of Mondi's DLC structure. They are appointed and removed by the Boards and are accountable to the Boards as a whole.

Pursuant to the Listings Requirements of the JSE, the Boards confirm that they have reviewed and are satisfied that each of the Company Secretaries is competent and has the relevant qualifications and experience. Their biographies are on page 109.

In assessing their competence and the quality of the corporate governance services they provide, the Boards have considered the expected role and duties pursuant to the requirements of both the South African and UK Companies' Acts, governance codes and continuing obligations of the stock exchanges on which Mondi is listed, and considered their respective compliance with each of these. The Boards have reviewed their performance not only during the last year but since joining Mondi.

The Boards concluded that the Company Secretaries have each complied with all the requirements of the Companies Acts, governance codes and continuing obligations of the relevant stock exchanges and that the arrangements in place for monitoring and assessing their competence and performance are effective.

While all directors have access to the advice and services of the Company Secretaries, the Company Secretaries maintain an arm's length relationship with the Boards. They do not take part in board deliberations and only advise on matters of governance, form or procedure. Throughout the year they have ensured compliance with board procedures and have provided independent advice to the Boards, in particular the chairmen and non-executive directors, on a range of governance and compliance matters and best practice.

Training and development

When new directors join the Boards they undertake an induction. While there is an outline induction programme in place, this is discussed with each new director and is tailored to meet any specific requirements, in particular any committee responsibilities. The programme generally includes meetings with each member of the executive committee and key advisers as well as site visits. The aim is to provide a new director with sufficient background and information about the Group and its performance and to highlight any specific areas of risk or concern. Following her appointment on 1 January 2017 and a number of initial meetings, Tanya continued her induction throughout the year, with this including visits to Mondi's mills in Štětí (Czech Republic) and Ružomberok (Slovakia) (more details are provided below).

Site visits

The directors are encouraged wherever possible to visit Mondi's key assets and operations so that they can see them first hand and get a more in-depth understanding of the business as well as meet local management and staff. Such visits also allow the directors to better understand the culture within our businesses and to ensure that Mondi's values are being effectively communicated and put into practice.

Ružomberok, Slovakia

In October 2017, the directors visited Mondi's integrated pulp and paper mill in Ružomberok. The visit included a presentation from the local management team, providing the Boards with an update on matters including safety, financial and productivity performance, quality and environmental performance.

The directors undertook a tour of the mill, giving them an opportunity to see in practice the results of recent investment and to speak directly to local management and staff about the planned 300,000 tonne per annum kraft top white machine and related pulp mill upgrade approved by the Boards in 2016.

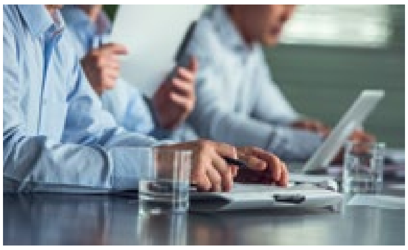
Austria & Czech Republic

During the year, Tanya Fratto, as part of her continuing induction, and Dominique Reiniche undertook a visit to Mondi's office in Vienna, Austria to meet with a number of Mondi's business unit chief executive officers, enabling them to have one-on-one discussions about more detailed aspects of each business unit.

This was followed by visits to our plants in Korneuburg (Austria) and in Štětí. A tour of each plant was undertaken and management presentations provided. The visit to Štětí gave Tanya and Dominique the opportunity to see the completed bleached kraft paper machine completed in 2014 and to speak to local management about the €335 million investment approved by the Boards in January 2017 to modernise the mill.

Site visits by the directors, either individually or collectively, remain high on the agenda in 2018 with a visit to our mill in Syktyvkar being planned for the Boards during the year.

Corporate governance report



Board presentations

The Boards received a number of presentations from external advisers during the year, including in relation to:

- the South African and Turkish economies;
- market conditions and future prospects in Russia and central Europe;
- the South African King IV Governance Code; and
- MiFID II.

Additionally the Boards heard from the chief executive officers of Mondi's Consumer Packaging and Fibre Packaging business units and Mondi's South African business as well as Mondi's Chief Innovation Officer. The chief executive officers of the Packaging Paper and Uncoated Fine Paper business units presented in early 2018.

The Boards have also received updates on information technology risk through two detailed presentations given to the DLC audit committee during the year (see page 99 for more information).

Part of the Boards' annual rolling agenda is focused on updating skills and knowledge. Presentations and reports aimed at providing wider context to the Group's activities and position in the market are provided regularly to the Boards and periodically Mondi's South African and UK advisers facilitate sessions on the duties and responsibilities of directors and on corporate governance developments. Management also provide updates on issues affecting the packaging and paper industry as a whole and regular feedback is provided through the sharing of analyst and broker reports and briefings. The chief executive officer of each of Mondi's business units presents to the Boards at regular intervals, giving directors the opportunity to meet members of senior management and to understand more thoroughly developments within each business unit.

Each director can discuss any development needs with one of the Joint Chairmen at any time but the opportunity arises more formally during the annual review process when discussions regarding individual performance are held. In addition, all directors are encouraged to strengthen and refresh their knowledge by attending workshops, seminars and courses relevant to their respective roles, and details of the availability of these are provided regularly.

To ensure the directors are aware of developing trends and future changes in governance and regulation and the likely impact on the Group, the Company Secretaries report to the Boards at each meeting. They also brief the directors on governance and regulatory consultations for information and to assist the directors with context for their decision-making during board and committee deliberations. Other corporate function specialists, for example from Group tax and Group treasury, report to the Boards to enable the directors to gain a greater insight into the way Mondi is managed and controlled. This provides opportunities to question processes, resources and key risks as well as providing context on the wider economic environment.

Although it is recognised that valuable experience can be gained from executive directors accepting appointments as non-executive directors on other boards, it is important to ensure the appropriateness and number of such commitments. Mondi has a policy setting out the parameters regarding such appointments.

A director will retain any fee paid to them in respect of directorships external to Mondi. Neither of Mondi's executive directors currently holds a directorship external to Mondi.

While on the Boards, David Hathorn was appointed chairman of Kore Potash Limited, an advanced stage mineral exploration and development company listed on the Australian stock exchange with a primary asset in the Republic of Congo and with its head office in Johannesburg. The Boards were satisfied that the nature of the business, its location and the time commitment expected, would not interfere with David's role and commitments at Mondi. During 2017, up to the date of his retirement from the Boards, David received shares in Kore Potash Limited worth AUD155,000. No other fees were paid to David between 1 January 2017 and the date of his retirement in respect of this role.

After a year in office, Peter Oswald resigned his chairmanship of the supervisory board of OMV AG in May 2016. During 2017, Peter received fees totalling €30,918 representing fees owed from his prior appointment.

Stephen Harris – review of term of office

During 2017 Stephen Harris completed his second three-year term in office. A more detailed review of his performance, including consideration of the governance codes' requirements, evaluation feedback and shareholder opinion, was considered against the time he devotes to his duties at Mondi and his other business commitments. Feedback from his fellow directors and his contribution to the board debate were also taken into account. It was concluded that Stephen remained independent and able to contribute effectively to Mondi in the best interests of shareholders, both in his role as a director and as chair of both the DLC sustainable development and Mondi Limited social and ethics committees.

Performance evaluation

Below are the key actions reported last year following the external evaluation undertaken in 2016 and details of the progress we have made against those actions:

Action agreed from 2016 evaluation	Progress achieved
To consider the need for further site visits by the Boards in light of recent developments in the business and its strategic direction and changes to the composition of the Boards.	As part of the programme of meetings in October 2017, the Boards visited Mondi's mill in Ružomberok (see page 91 for more information). The need for further site visits is being kept under review with a visit to Mondi's Syktyvkar mill being planned for 2018.
To review and refine the format of the safety reports presented to the Boards.	The format of the safety reports has been reviewed in conjunction with the chairman of the DLC sustainable development committee. Adjustments were made in order to provide a clearer summary of key incidents and statistics to the Boards. The revised format has been in use since May 2017.
To continue to focus on innovation and quality, ensuring that the Boards receive relevant updates and presentations in this regard.	An annual update on quality and innovation matters has been added to the Boards' annual rolling agenda. During 2017, the Boards received a presentation from the Chief Innovation Officer.
To include in acquisition proposals presented to the Boards sufficient insight into the due diligence undertaken in relation to the management and culture of the business to be acquired.	Although already included in Mondi's due diligence processes, this is now a specific item to be considered when preparing such papers for the Boards.

2017 internal board evaluation process

In line with best practice, we have conducted external evaluations at least once every three years, the last time being in 2016. In 2017, the Boards determined that an internal evaluation was appropriate, recognising the opportunity this provides to reflect on the activities and performance of the Boards, committees and individual directors, and to consider improvements to the operation of the Boards.

The process was facilitated by the Company Secretaries and is illustrated below:

The results confirmed that the Boards continue to operate well and to a high standard, with open and effective debate, opportunity for challenge and full and active participation from all members of the Boards. The report also highlighted the culture of transparency and positive dynamics on the Boards, allowing the directors to focus on the key issues and to voice their views openly.

The review of the performance of the Joint Chairmen, led by John Nicholas as the Senior Independent Director, incorporated feedback from the non-executive and executive directors. Consideration was given to the effective leadership of the Boards, how they worked together, their time commitment and the management of the meetings. The positive working relationship between the Joint Chairmen and the way in which they effectively manage their joint role was noted.

The key actions agreed by the Boards following the 2017 evaluation are:

- → to continue to focus on succession planning at board, committee and executive level, considering cultural, geographic and gender diversity requirements as the business looks to grow;
- → to continue to assess opportunities for growth as and when they arise with management providing detailed overviews to the Boards of any potential options when appropriate;
- → to maintain the high level of focus on safety, considering in particular the behavioural and cultural reasons behind life altering injuries and other serious safety incidents;
- → to continue to develop Mondi's policies and procedures in the key areas of focus set out in the UK Modern Slavery Act and to consider the use of certain measurements to allow progress to be monitored; and
- → to monitor the outcome of the consultation in relation to the UK Corporate Governance Code and to consider and implement any changes required in order to ensure compliance with the new Code.

The Boards consider that they continue to benefit from the annual review process, the results from which help guide the future focus of meeting agendas and behaviours.

Corporate governance report

DLC nominations committee

"Succession planning was a key focus for the committee during the year, with Peter replacing David as Chief Executive Officer, Tanya replacing Anne as chair of the remuneration committee and John's appointment as Senior Independent Director. This gave the committee the opportunity to review the composition of each of the committees and to refresh the membership where appropriate. Diversity at board and executive committee level as well as throughout the organisation was also a key subject for the committee."

David Williams
Chairman of the DLC nominations committee

Composition

Members throughout the year	Committee member since	Meeting attendance (seven meetings in the year)
Tanya Fratto	January 2017	7
Stephen Harris	March 2011	7
John Nicholas	October 2009	7
Fred Phaswana	June 2013	7
Anne Quinn[1]	May 2007	3
Dominique Reiniche	October 2015	7
David Williams, chairman	May 2007	7

1 Anne Quinn stepped down from the committee on 11 May 2017. Anne attended all meetings up to the time of her retirement from the Boards

Other regular attendees

→ Chief Executive Officer

How the committee spent its time

While sound succession planning has always been a priority for the committee, David Hathorn's decision to retire from the Boards and as Group Chief Executive Officer brought this to the forefront during the early part of the year. This planning has proven to be effective with Peter Oswald, previously Chief Executive Officer of Mondi's former Europe & International Division, being appointed to the Group chief executive role at the conclusion of the Annual General Meetings on 11 May 2017. Peter's experience and detailed knowledge of Mondi's operations were integral to the committee's decision. Further details on the appointment process can be found on page 95.

During the year, Tanya Fratto also replaced Anne Quinn as chairman of the DLC remuneration committee and John Nicholas was appointed Senior Independent Director. These changes resulted in a thorough review of the membership of each of the committees and the opportunity to appoint new members in some cases, providing a new perspective.

Other matters addressed by the committee included:

Board and committee composition

- → Consideration of the skills and experience required for the role of Group chief executive officer and a recommendation to the Boards that Peter Oswald be appointed to the role following David Hathorn's decision to retire.
- → Review of the composition of the Boards to ensure maintenance of an appropriate balance of skills and diversity of experience to support the future growth strategy.
- → Review of the composition of each of the committees and committee chairs, particularly in light of Peter Oswald's appointment as Group Chief Executive Officer, recommending changes to the Boards.
- → Consideration of the composition of the DLC executive committee, including the skills, experience and qualifications required, diversity and succession planning, and proposals from management and recommendation of a number of new appointments to the Boards for approval.
- → Conducting a review as Stephen Harris completed his second three-year term in office (see page 92 for more information).
- → Review of the continued independence of each non-executive director, including consideration of their term in office and any potential conflicts of interest.
- → Review of the time commitment required of each non-executive director, concluding that all non-executive directors continued to devote appropriate time to address their duties to Mondi.

Succession planning

- → Consideration of the appointment of a new chief executive officer of South Africa in response to the decision by Ron Traill to retire from the role resulting in a recommendation to the Boards.
- → Receiving a report and presentation on talent management practices within the Group.
- → Receiving a report and presentation on diversity within the Group and a review of measures being taken to improve this.
- → Review of the succession plans for the executive committee members and senior management within the Group, discussing any potential gaps and actions to address them.

Board evaluation

- → Monitoring progress against the agreed action plan from the prior year's evaluation process (see page 93 for more information).
- → Consideration and agreement of the process for the 2017 internal evaluation of the Boards, committees and individual directors (see page 93 for more information).
- → Review of the output from the 2017 evaluation process and recommendation of an action plan to the Boards (see page 93 for more information).

Corporate governance and other matters

- → Consideration of a request from a non-executive director to take on the directorship of another company, confirming that the time commitment would not interfere with their duties to Mondi.
- → Consideration of, and recommendation to the Boards, the re-election of all directors at the Annual General Meetings.
- → Review of the committee's terms of reference, performance and work programme with a number of changes to the terms of reference being recommended in response to the King IV Governance Code.
- → Consideration of, and agreement to, the committee's report for inclusion in the Group's Integrated report and financial statements.

Diversity was also a key focus for the committee with gender, race and other forms of diversity being an area of discussion and debate. Mondi is conscious of the challenges it has in this area, both at board and senior management level and throughout the business, and creating an effective, more diverse pipeline up to the DLC executive committee and to the Boards will continue to be an area of focus in the coming year. We are committed to improving diversity in all forms and have implemented a number of initiatives aimed at achieving this. However we are also aware that a long-term strategy is required. In light of this and the increasing regulatory and governance requirements in this area, the committee reviewed the Group's diversity policy during the year, recommending a number of changes to the Boards for approval. Further details can be found on page 96.

The committee's remit is set out in terms of reference adopted by the Boards. The committee's performance against these terms of reference is reviewed on an annual basis. The committee is satisfied that it has acted in accordance with its terms of reference during the year.

Terms of appointment

On appointment each non-executive director receives letters of appointment setting out, among other things, their term of appointment, the expected time commitment for their duties to Mondi and details of any committees of which they will be a member. Non-executive directors are initially appointed for a three-year term, after which a review is undertaken to consider renewal of the term for a further three years. However, Mondi follows governance best practice with all directors standing for re-election by shareholders at each Annual General Meeting.

Peter Oswald – appointment as Group Chief Executive Officer

On 31 January 2017, David Hathorn notified the Boards of his decision to retire from the Boards and as Group Chief Executive Officer. David's decision required the committee and the Boards to give immediate consideration to an appropriate replacement for David, with the starting point being the succession planning undertaken during prior years in preparation for David's eventual departure. This had identified Peter as a potential successor to David.

The committee reviewed the qualifications, skills and experience required for the role and the key responsibilities, including to lead and manage the business and the Group's day-to-day operations as well as the relationship with institutional investors. These responsibilities are explained in more detail on page 89.

Peter's ability to perform the role was then considered in detail in light of these requirements. Factors considered included his industry experience and his in-depth understanding of the way in which Mondi operates. Having joined Mondi in 1992, his detailed knowledge of the Group and its operations and his involvement with the development of the Group over many years were key. Having been on the Boards since 2008, Peter's values and his understanding of Mondi's culture were well-established and his ability to lead and manage the Group was clear to the committee.

The committee, and the Boards, agreed that Peter was the appropriate person to replace David and was well-placed to lead the Group. He was subsequently appointed Chief Executive Officer at the Annual General Meetings in May 2017.

Appointment process

Mondi has an agreed process in place for the recruitment and appointment of new directors to the Boards. This process was followed in relation to the appointment of Tanya Fratto on 1 January 2017 and is outlined below:

1. Agreement of key business experience and skills required and candidate specification drawn up
2. External independent search agent engaged to assist with the selection process
3. Agent conducts a market search and provides a long list of potential candidates for consideration
4. Short list chosen from long list for interview by one of the Joint Chairmen and SID
5. Short list reduced to an agreed number of candidates for interview by other executive and non-executive directors
6. Nominations committee considers the preferred candidates and makes a recommendation to the Boards
7. Boards consider the recommendation and whether to proceed with the appointment

The recruitment process is usually led by David Williams, Joint Chairman, and Mondi's Senior Independent Director, on behalf of the nominations committee.

The Zygos Partnership was used for the appointment of Tanya Fratto. The Zygos Partnership does not provide any other services to the Mondi Group. At the time of Tanya's appointment The Zygos Partnership, which is now part of Russell Reynolds Associates, was a signatory to the Voluntary Code of Conduct for Executive Search Firms.

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Diversity

Mondi is committed to encouraging and promoting diversity in all its forms.

As a global organisation operating in over 30 countries, diversity forms an integral part of the way we do business. We are committed to creating a culture that embraces diversity and provides a working environment that is flexible and non-discriminatory from recruitment and people development to reward and our talent management approach. We strive for an inclusive environment where differences are valued and embraced. We employ, empower and develop competent people with the necessary potential required to meet our business needs and maintain a competitive business advantage.

During 2017 the Boards reviewed the Group's formal diversity policy which sets out guidelines for such matters as recruitment, the use of search firms, succession and annual reviews. The review was undertaken in light of increasing expectation in this area, the Boards' desire to send a strong message and the findings of the Hampton-Alexander Review on gender diversity and the Parker Review on ethnic diversity. The revised policy builds on the original one, continuing to set out the Boards' position and clear guidelines in relation to diversity at board and executive committee level and throughout the Group. The policy requires search firms to include female candidates as well as candidates from a variety of ethnic backgrounds in order to ensure that diversity is fully considered during recruitment processes, both at board and executive committee level and throughout the organisation.

The policy also confirms the Boards' intention to work towards achieving the Hampton-Alexander Review's recommended target of 33% women on boards and across executive committees and their direct reports by 2020 and the Parker Review's recommended target of one person of colour on boards by 2021, a target that we currently meet.

However, while gender, race and other forms of diversity will always be considered, appointments at all levels will continue to be made based on skill and ability. It remains important to ensure that diversity is seen in a broader context and that we have the right mix of backgrounds, skills, knowledge and experience on our Boards, and throughout the Group, to meet our business needs and future strategy.

At the end of 2017, we had two female directors representing 25% of the composition of the Boards and one director of colour. During 2017, we also reported to the Hampton-Alexander Review that as at 30 June 2017 we had approximately 27% female representation across our executive committee and its direct reports combined. While the number of women on our executive committee has increased during the course of 2017, there is still further work required if we are to make progress towards 33%. Details of the DLC executive committee's membership during the year and as at 31 December 2017 can be found on page 110. A continued focus on the pipeline up to executive committee level is needed as well as a focus on other forms of diversity including ethnicity. Additional gender diversity statistics can be found in the Strategic report on page 48.

As part of the Boards' oversight of Mondi's diversity policy, two presentations were provided to the committee during the year in relation to diversity, covering new and ongoing initiatives to improve diversity and progress made in this regard.

In South Africa we are committed to making a positive contribution to the process of transformation. We have taken active steps to meet the requirements of broad-based black economic empowerment (BBBEE), including establishing transformation forums in our South African operations to allow our employees to discuss equity and training-related issues and ideas.

Diversity is also an essential part of Mondi's leadership development programme with the inclusion of a number of talent management and development initiatives, including the implementation of training modules such as 'Intercultural Diversity & International Business Competence' through The Mondi Academy to enhance the understanding and appreciation of the benefits of diversity within the business. Other training schemes designed to empower and support diversity include 'Success management training' with a focus on female career strategies for higher management positions and training on career building for young female employees. In addition, employee exchanges where individuals spend time working in different business units and locations around the Group enable them to gain experience of different working practices and skills as well as having exposure to different cultures. Other initiatives include mentoring and development programmes, flexible working practices and membership of an LGBT+ network and consultancy in order to support diversity and employee integration across the business world.

The Mondi cultural characteristics incorporate our aim to hire and work effectively with people who differ in race, gender, culture, age and background. We measure our progress through the use of tools such as our global employee surveys and 360° feedback.

While it is recognised that there are many challenges and there is more work to do, Mondi believes that continually sharing best practice, networking and sharing experiences both internally and externally helps us to make good progress. More details can be found on pages 47 and 48.

DLC audit committee

"The committee remained focused during the year on the completion of the transition from Deloitte to PricewaterhouseCoopers (PwC) and on working with PwC through the first full year of reporting following their appointment.

Alongside the regular review of the key risks facing Mondi, cyber security remained a key priority, with the committee receiving two detailed presentations from Mondi's Chief Information Officer on Mondi's approach to information technology risk as well as additional, practical advice on maintaining data security and tackling attempted fraud."

John Nicholas
Chairman of the DLC audit committee

Composition

Members throughout the year	Committee member since	Meeting attendance (four meetings in the year)
Tanya Fratto[1]	May 2017	2
Stephen Harris	March 2011	4
John Nicholas, chairman	October 2009	4
Anne Quinn[2]	May 2007	2

1 Tanya Fratto was appointed to the committee on 11 May 2017. Tanya attended all meetings following her appointment

2 Anne Quinn stepped down from the committee on 11 May 2017. Anne attended all meetings up to the time of her retirement from the Boards

Other regular attendees

→ Chief Executive Officer
→ Chief Financial Officer
→ Group Controller
→ Group Head of Internal Audit
→ South African and UK representatives from PwC

The committee is constituted as a statutory committee in respect of the duties set out in the South African Companies Act 2008 and a DLC committee of the Boards in respect of other duties assigned to it by the Boards.

Composition

During the year Anne Quinn stepped down from the committee as a result of her retirement from the Boards at the conclusion of the Annual General Meetings in May 2017. Tanya Fratto, who was appointed to the Boards on 1 January 2017, was appointed as a member of the committee by shareholders at the Annual General Meetings. There were no other changes to membership during the year. John Nicholas remained chair of the committee and, being a chartered accountant and having, until April 2015, been a member of the UK Financial Reporting Review Panel, he is considered to have specific recent and relevant financial experience. John and Stephen have been on the Boards, and the committee, for more than six years and have gained a familiarity and understanding of the sector in which Mondi operates.

Although Tanya was new to the Boards in 2017, her engineering background and experience in product innovation and sales and marketing meant that she was well placed to understand the sector. In addition, Tanya has attended all meetings of the committee since her appointment to the Boards, giving her the opportunity to observe and familiarise herself with the workings of the committee prior to her appointment as a member. John, Stephen and Tanya all have appropriate knowledge and understanding of financial matters and have commercial expertise gained from industries with similar capital intensive manufacturing, engineering, natural resources and technology-focused international operations. The full biographies detailing the experience of each member of the committee can be found on page 83.

In accordance with the Listings Requirements of the JSE, the committee has considered and satisfied itself that Andrew King, Mondi's Chief Financial Officer, has appropriate expertise and experience. Andrew is a chartered accountant and throughout his career has held various finance and business development roles. The committee has also considered and satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and expertise of the senior management responsible for the finance function. As a result, the committee also confirms that it is satisfied that Mondi has appropriate financial reporting procedures in place and that these are operating effectively.

Role of the committee

The committee operates under formal terms of reference. The committee agenda included the regular matters reserved for its review during the annual financial reporting cycle and ensured it has appropriately discharged its responsibilities during the year, having operated in compliance with relevant legal, regulatory and other responsibilities. The committee's performance against its terms of reference is reviewed on an annual basis. The committee is satisfied that it has acted in accordance with its terms of reference during the year.

The committee chairman regularly reports to the Boards on the work and output from meetings and provides any necessary recommendations or advice on matters of direct relevance to the deliberations of the Boards.

The evaluation of the committee was carried out as part of the 2017 internal evaluation (see page 93 for more information).

Corporate governance report

How the committee spent its time

While the work programme largely covered the regular cycle of financial and risk related matters, the key focus for the committee during the year continued to be the audit transition from Deloitte to PwC and working with PwC during the first full year of their audit appointment. The committee was satisfied that there was a smooth transition from Deloitte to PwC, with significant work having been undertaken in 2016 towards this. Members of PwC have been present at all meetings of the committee during the year, allowing the committee to further consolidate relationships, to hear the perspective of PwC on the transition and to receive regular updates on progress with audit work.

Cyber security also continued to be a material area of consideration for the committee given the publicity during the year around large-scale cyber attacks and increasingly sophisticated fraud attempts. The committee was provided with detailed updates on the Group's cyber security arrangements, key areas of risk, fraud attempts and mitigating actions. Ongoing projects to improve the security of Mondi's networks and to understand and prevent the risk of an attack impacting on the Group's operational assets were particular areas of focus (see page 99 for more information).

The potential impact of a number of new IFRS accounting standards was also considered during the year.

Other matters addressed by the committee included:

Financial reporting

- Reviewing the integrity of all financial announcements with input provided by the Group Controller and PwC.
- Reviewing restated segmental information included in the October 2017 trading update following the reorganisation of the business segments.
- Reviewing the Mondi Group Integrated report and financial statements for tone and consistency and considering whether the report as a whole was fair, balanced and understandable (see page 102 for more information).
- Reviewing and discussing the audit management letter.
- Reviewing accounting policies to be applied for the year ending 31 December 2017.
- Reviewing new accounting pronouncements and any potential impact for the Group's financial reporting.
- Reviewing the going concern basis of accounting and the longer-term viability statement (see page 41 for more information).
- Reviewing the JSE's latest report from its proactive monitoring process setting out the results of its reviews of financial statements during the year, confirming that Mondi's financial statements were compliant.

External audit matters

- A recommendation to the Boards that the appointment of PwC for the 2017 audit be put to shareholders at the Annual General Meetings.
- Reviewing the independence, objectivity and effectiveness of PwC (see page 103 for more information).
- Reviewing and approving the external audit plan, taking account of the scope, materiality and audit risks and agreeing the audit fees.
- A report at each meeting of any non-audit services covering PwC, and Deloitte up to the time of their retirement, in order to monitor auditor independence.
- Reviewing and agreeing the engagement letters and representation letters.
- Holding a meeting with PwC without management present; the committee chair also engaged regularly with the audit partners.

Risk management and internal controls

- Undertaking a detailed review of the Group's risk management policy, plan and tolerance levels and of the process to assess the risks (see pages 34 to 40 for more information).
- Reviewing the effectiveness of the risk management and internal control systems (see pages 34 to 40 for more information).
- At each committee meeting undertaking a more in-depth review of three or four of the most significant Group risks.
- Half-yearly presentations on IT risk management and cyber security (see page 99 for more information).
- A presentation from PwC on digital hygiene providing the committee with practical ways in which to protect data and confidential information.

Internal audit matters

- Reviewing and agreeing the internal audit plan, confirming the focus on key risk areas and adequate cover of all material operations.
- Reviewing and approving the internal audit charter which sets out the purpose, remit and authority of the internal audit function.
- Receiving reports from the Group Head of Internal Audit at each meeting (see page 104 for more information).
- Reviewing the effectiveness of the internal audit team.
- Holding a meeting with the Group Head of Internal Audit without management present.

Governance and other

- For JSE purposes reviewing the appropriateness and expertise of the Chief Financial Officer and the effectiveness of the finance function (see page 97 for more information).
- Monitoring and reviewing the continued implementation of those elements of the Group's Code of Business Ethics reserved for review by the committee, as well as the supporting framework of the Business Integrity Policy.
- Reviewing the legal and compliance risks faced by the Group.
- Reviewing Mondi's competition compliance programme and the adjustments made to it following the changes to Mondi's structure during 2017, including the replacement of two divisional compliance committees with one Group-wide committee.
- Reviewing the committee's terms of reference, performance and work programme, recommending changes to the terms of reference to reflect the King IV Governance Code and changes to the JSE Listings Requirements.

Approach to regular financial reporting

The committee continually reviews its approach to financial reporting, being aware of the need for transparency and maintaining a focus on long-term value creation. This has included, in particular, consideration of the continued practice of publishing a quarterly update on trading conditions. Having considered the cyclical nature of our business, our competitor reporting cycles and our desire to keep the market informed, we are of the view that we should continue with this practice. We also took into account feedback received from some of the Group's largest shareholders who have indicated their support for this approach as they find that it bridges the gap between the full reporting periods and provides an update on important market dynamics that affect the sector in which Mondi operates. We continue to monitor market practice and to keep the position under review.

Information technology risk

The committee undertakes, on a half-yearly basis, a detailed review of the information technology risk and mitigation actions. The Group's IT risk management framework has been explained with comfort obtained that it is holistic and robust, having been audited by independent third parties. The committee reviewed the IT risk register confirming that all aspects had been covered (security, compliance and availability) and noting that the top five risks were all in the area of cyber security. It was further noted that cyber security was driving the main mitigation activities, particularly in the areas of network design and security architecture.

Key areas of focus during the year included ensuring that Mondi's core systems were up to date and protected and that audits of the Group's key sites were undertaken to understand the level of risk faced by Mondi's operational assets. These audits, together with continued development of Mondi's networks to protect against fraud attempts, will remain the focus during 2018. The committee also assessed the findings of PwC's assessment of certain IT controls, performed as part of its financial statements audit.

The committee was encouraged by the level of focus being given to cyber security within the organisation, The emphasis being placed on employee awareness, education and testing was welcomed by the committee. Overall the committee concluded that the Group's IT risk management was effective and that management ensured that it was subject to continuous monitoring and improvement (see page 40 for more information).

Corporate governance report

Internal control

The Group's internal control and risk management framework, embedded in all key operations, is designed to address all the significant strategic, financial, operational and compliance risks that could undermine our ability to achieve our business objectives in the future and is managed within risk tolerance levels defined by the Boards. In accordance with the provisions of the UK Corporate Governance Code, the Group has in place an internal control environment to protect the business from principal risks which have been identified. Management is responsible for establishing and maintaining adequate internal controls over financial reporting and we have responsibility for ensuring the effectiveness of these controls. Full details of Mondi's internal control and risk management framework can be found in the Strategic report on pages 34 to 40.

The committee has reviewed the risk management process and the Group's system of internal controls. The committee considers that the system of internal controls operated effectively throughout the financial year and up to the date on which the financial statements were signed.

Significant issues related to the financial statements

The committee has considered each of the following items based on discussions with, and submissions by, management and satisfied itself as to the accounting treatment and presentation thereof. The most significant items were discussed with the external auditors during the planning stage and on completion of the audit. These issues are broadly similar to those addressed by the committee during 2016.

The key considerations in relation to the 2017 financial statements were:

Matter considered	Action
Special items are those financial items which the Group considers should be separately disclosed on the face of the income statement to assist in the understanding of the underlying financial performance of the Group as special items affect year-on-year comparability. The classification of an item as special is based on judgement and generally must exceed €10 million and/or be material in the context of the current year's financial performance. Subsequent adjustments to items previously reported as special items continue to be reflected as special items in future periods even if they do not exceed the reporting threshold. The net special item charge of €61 million before tax included restructuring and closure costs of €23 million and related impairments of €38 million related to the restructuring programme in Consumer Packaging including closure of a plant in Poland, streamlining the UK operations and reducing the cost base across the business; the release of a restructuring and closure provision following the finalisation of a release liner plant closure in the United States; the closure of the South African newsprint business; the partial impairment of kraft paper assets in the United States; the partial reversal of the impairment of a kraft paper mill in Bulgaria; and the release of restructuring and closure provisions following finalisation of the sale of the Group's kraft paper mill in Finland. Details of the special items are included in the Strategic report on pages 56 and 57 and in note 3 of the financial statements.	The committee has critically reviewed each item presented by management as being special to ensure that the items are in line with the Group's accounting policy. The committee considered both the quantification and presentation of special items. The committee has reviewed the adequacy of the descriptions of the special items in the Financial statements and the Strategic report. The committee has also considered whether any significant transactions that were not classified as special were appropriately classified in the Financial statements and appropriately described in the Strategic report.
The Group's operations are capital-intensive and, in 2017, the Group incurred €611 million in capital expenditure. Good progress continued to be made on the Group's major capital investment projects including the commissioning of the final phase of the €260 million investment programme in Świecie to provide additional light-weight kraftliner production and increased share of kraft top liner production. The €310 million investment in Ružomberok in relation to a new kraft top white machine and related pulp mill upgrade is also progressing. The work on the pulp mill upgrade has commenced while the investment in the paper machine remains subject to obtaining the necessary permitting. The €335m modernisation of the Štětí mill is progressing well. Progress also continued to be made with ramping up the production of the rebuilt paper and inline coating machine at the Štětí mill although technical challenges remain. These projects are more fully described in the Strategic report on page 23 and details of the Group's tangible fixed assets are provided in note 10 of the financial statements.	At the time of approval of significant capital projects, the Boards approve the underlying assumptions including the estimated useful lives of these investments. The committee has interrogated management and satisfied itself of the appropriateness of the assumptions made, the consistency of those assumptions compared with the initial approval and the basis on which any changes were made. The committee has also considered the internal audit reports completed in respect of the Group's procurement and capital expenditure processes, in which there were no significant weaknesses identified.

Matter considered	Action
In addition to property, plant and equipment of €3,962 million, goodwill of €698 million is included as an asset in the statement of financial position. As set out in the accounting policies, the Group performs an impairment review at least annually and whenever there is any indication that certain of its assets may be impaired. See notes 10 and 11 of the financial statements.	The committee considered a report from management describing potential impairment indicators of tangible and intangible assets and the outcomes of related impairment tests. The committee also considered a report from management on the outcomes of the annual goodwill impairment test. The critical underlying assumptions applied were reviewed by the committee and compared with the Group's budget and the current macroeconomic environment. The committee considered the sensitivities underlying the primary assumptions to determine the consequences that reasonably possible changes in such assumptions may have on the recoverable amount of the underlying assets. The committee satisfied itself that no impairment related to goodwill was required and that the impairments in property, plant and equipment and other intangible assets were primarily related to the closure and restructuring of operations.
The Group has operations in a number of countries each with a different tax system. The Group is regularly subject to routine tax audits and provisions are made based on the tax laws in the relevant country and the expected outcomes of any negotiations or settlements. The Group's recognition of deferred tax assets, relating to future utilisation of accumulated tax losses, is dependent on the future profitability and performance of the underlying businesses. See note 7 of the financial statements.	The committee receives regular reports from management about new legislative developments that may impact the Group's tax positions. The committee has considered reports from management outlining the Group's most significant tax exposures, including ongoing tax audits and litigation, and has reviewed the related tax provisions recognised by management, satisfying itself these are appropriate and the risk of new unexpected exposures arising is low. The committee has considered a report from management outlining the key judgements relating to the recognition of deferred tax assets and satisfied itself that the assumptions made are reasonable and consistent from year to year.
Significant judgement is required in determining the assumptions to be applied for the valuation of the Group's forestry assets and retirement benefit obligations. Such assumptions are based, as far as possible, on observable market data and, in the case of the retirement benefit obligations, the input and advice of actuaries. The most significant assumptions and sensitivities are disclosed in note 13 for forestry assets and 22 for retirement benefits in the financial statements.	The assumptions applied in the valuation of the forestry assets and retirement benefits were reviewed by the committee. The committee considered the basis on which these assumptions were determined, and evaluated the assumptions by comparing them with prior years and considering market developments during 2017. The committee satisfied itself that the assumptions, and the changes to those assumptions when compared with the year ended 31 December 2016, were appropriate.
During 2017, the Group concluded three business combinations, as described in note 23 of the financial statements. On acquisition, the Group determined the fair value of assets acquired and liabilities assumed, based on its own experience in the industry and the input of experts.	The committee considered a report from management describing the process taken in conducting the identification and valuation of assets acquired and liabilities assumed in business combinations. The committee satisfied itself that the fair values were appropriate and that the resulting goodwill recognised in these transactions was appropriate and did not include any unrecorded assets or liabilities.
During 2017, the Group reorganised its business units to reflect the nature of the underlying products produced. The prior year figures have been restated to reflect the new organisational structure. The reorganisation has no impact on the overall Group result. The changes to the Group's business units, and consequently to the Group's segmental reporting, were as follows: Uncoated Fine Paper and South Africa, excluding the containerboard operations, were merged into a single business unit; and the containerboard operations of South Africa were merged into Packaging Paper. The Fibre Packaging and Consumer Packaging business units were unaffected by the change. See note 2 of the financial statements.	The committee has considered a report from management in relation to the restated segmental information. The process of restatement was discussed with management and the committee satisfied itself that the restated segmental information was appropriate. The restated prior year figures were published with the October 2017 trading update.

Overview
Strategic report
Governance
Financial statements

Corporate governance report

Fair, balanced and understandable

A key role of the committee is to ensure that the interests of shareholders are protected, in particular that there is robust financial reporting with good internal controls in place and appropriate accounting practices and policies combined with sound judgement.

Although oversight and review of material financial reporting matters are considered throughout the year, at the request of the Boards, the committee assessed the integrity of the Group's Integrated report and financial statements 2017 and the clarity, completeness and consistency of disclosures.

Process

Oversight through the year
- → Review of applicable accounting policies and pronouncements and their application
- → Review of regular financial results and announcements
- → Reports from the Group Controller and PwC
- → Reports from internal audit

Review included
- → Provision of an outline plan including content and structure, design concepts and timetable
- → Consideration of regulatory and governance requirements for reporting
- → Review of detailed reports from the Group Controller and PwC providing the opportunity for debate and challenge
- → Summaries of areas where management judgements had been made
- → Consideration of going concern and longer-term viability
- → Separate meeting with PwC without management present
- → Sufficient opportunity to review drafts

Review confirmed
- → Well documented planning and procedures for the preparation of the report
- → Collaborative approach between all parties required to contribute to the report
- → Basis of preparation consistent with financial reporting throughout the year
- → All significant issues had been considered
- → Messaging was consistent particularly the narrative reflecting the financials

Conclusion
- → After completion of the detailed review the committee was satisfied that, taken as a whole, the Group's Integrated report and financial statements 2017, were fair, balanced and understandable
- → That the report accurately reflected the information shareholders would require in order to assess the Group's performance, business model and strategy
- → That the use of alternative performance measures contained in our report assists in presenting a fair review of the Group's business

Recommendation
- → The committee reported its findings and conclusion to the Boards

External audit

PricewaterhouseCoopers Inc and PricewaterhouseCoopers LLP (together 'PwC') were appointed as auditors by shareholders at the Annual General Meetings in May 2017, replacing Deloitte & Touche and Deloitte LLP respectively (together 'Deloitte'). This followed a full tender process undertaken in 2015 and a transition process during 2016, which allowed PwC to work together with Mondi and Deloitte to ensure a smooth handover.

Andy Kemp was appointed as the UK audit partner and Michal Kotzé as the South Africa audit partner with the 2017 audit being their first for Mondi.

The committee confirms its compliance for the financial year ending 31 December 2017 with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

The committee also confirms that PricewaterhouseCoopers Inc is included in the JSE list of accredited auditors.

External audit independence, objectivity and effectiveness

A formal framework for the assessment of the effectiveness of the external audit process and quality of the audit has been adopted by the committee, covering all aspects of the audit service provided by PwC. While part of the assessment is managed annually, it is treated as an ongoing review throughout the cycle.

Evaluation focus

- → Robustness of audit process
- → Audit quality, including quality controls
- → Audit partners and team, including skills, character and knowledge
- → Independence and objectivity
- → Formal reporting

Inputs

Audit committee

- → Continual monitoring of audit performance throughout the year
- → Reviewed and agreed the audit plan
- → Reviewed the quality of reporting to the committee, the level of challenge and professional scepticism and the understanding demonstrated by PwC of the business of the Group
- → Reviewed the coordination between the South African and UK audit partners, the quality of the audit team, technical skills and experience and the allocation of resources during the audit
- → Considered the interaction with management and the level of challenge
- → Regular meetings held between the chairman of the committee and the audit engagement partners
- → Reviewed feedback from committee members including views on how PwC has supported the work of the committee and their communication with the committee
- → Considered the effectiveness of Mondi's policies and procedures for maintaining auditor independence

Management

- → Feedback from engagement with the Chief Financial Officer, Group Controller and Group Head of Internal Audit
- → Feedback from questionnaires issued at corporate and business unit level to those personnel involved with the audit

PwC

- → Provided the committee with confirmation that they operate in accordance with the ethical standards required of audit firms
- → Confirmed the policies and procedures they have in place to maintain their independence

Regulators

- → The UK Financial Reporting Council's (FRC) 2016/17 report on Audit Quality Inspections included a review of audits carried out by PwC. PwC shared the findings with the committee and confirmed how they were addressing the areas highlighted for improvement

Key outputs

- → The quality of the audit partners and team were confirmed with no material issues raised in the feedback received
- → The audit had been well planned and delivered with work completed on schedule and management comfortable that any key findings had been raised appropriately, active engagement on misstatements and appropriate judgements on materiality
- → PwC demonstrated a good understanding of the Group and had identified and focused on the areas of greatest risk
- → PwC's reporting to the committee was clear, open and thorough, including explanations of the rationale for particular conclusions as appropriate
- → It was confirmed that there had been an appropriate level of challenge

Conclusion

The committee, having considered all relevant matters, has concluded that it is satisfied that auditor independence, objectivity and effectiveness have been maintained.

Corporate governance report

Non-audit services

A policy is in place that governs the provision of non-audit services provided by PwC to Mondi, including the requirements for the approval of such services. The policy was last updated in 2016 to reflect the new EU audit framework regulations.

Where approval is required the business must submit a formal request setting out the objectives, scope of work, likely fee level and the rationale for requiring the work to be carried out by the Group's external auditor rather than another service provider. Sufficient information must also be provided to allow an assessment of materiality and the impact the service might have on the financial statements. Each request is reviewed, and where appropriate challenged, before being passed for approval.

The committee monitors compliance with the policy, receiving reports at each meeting detailing all approved non-audit services. This enables regular consideration and oversight of a key threat to auditor independence and objectivity. During 2017, the committee not only monitored any non-audit services provided by PwC throughout the year but also those services provided by Deloitte up until Deloitte had formally stepped down as Mondi's auditor.

The majority of non-audit services are audit-related assurance services. During 2017 examples were the confirmation of Mondi's ownership of certain assets that were the subject of subsidy grants and the provision of a net debt calculation required in connection with a net debt adjustment following the disposal of a subsidiary company.

The breakdown of the fees paid to PwC, including the split between audit and non-audit fees, is included in note 4 to the financial statements on page 160. The non-audit fees for 2017 represent 8% of the audit fee paid.

Internal audit

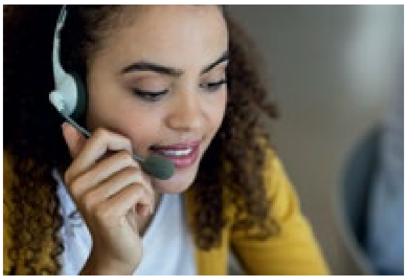
The audit committee has primary responsibility for monitoring and reviewing the scope and effectiveness of the Group's internal audit function and appoints and discharges the Group Head of Internal Audit (the equivalent of the chief audit executive as envisaged by the King Code). The Group Head of Internal Audit has direct access to, and responsibility to, the committee and works closely with the committee in liaison with PwC. The internal audit function provides, in combination with the external assurances received and those from management, comfort to the committee that the Group's key risk factors are being managed effectively.

An internal audit charter, approved by the committee, is in place. The charter sets out the purpose, remit and authority of the internal audit function. Each year the committee considers and approves the internal audit plan which is designed to focus on the Group's key risks to ensure that they are managed effectively within the context of our business objectives and that appropriate internal controls are in place. The committee ensures that all material operations are covered and that there is an appropriate degree of financial and geographical coverage. Every Mondi operation is visited at least once every five years with all major plants audited annually. Reports are given at each committee meeting providing an update on activities, progress against plan, results from audits carried out and management's response to address any areas highlighted for improvement. The committee will consider deviations from plan as the need arises during the year, usually in response to a material acquisition or change in the Group's risk profile highlighted through audit reports and through matters raised via the confidential reporting hotline, Speakout. The committee regularly challenges the nature and speed of management's response to issues raised in audits and to Speakout messages in order to be satisfied that this has been appropriate to the circumstances. Maintaining sound oversight and control of activities through the use of internal audit reviews is considered by the committee to be a key element of its work.

The committee also monitors the staffing and resources available to the internal audit function and the quality of those resources. In 2015 an external review of the internal audit function was undertaken by Ernst & Young LLP with a full report presented to the committee. The review concluded that the internal audit function is fit for purpose and meeting its mandate to provide assurance primarily in the financial and operational areas. Of particular note was the clear affirmation that the function is independent and objective. Some recommendations were put forward mainly in the areas of knowledge sharing and the greater use of technology by the team. The way in which the team has been addressing the recommendations in the report has been monitored and reviewed by the committee. The committee has concluded that the Group Head of Internal Audit provides appropriate leadership of the internal audit function which remains effective in carrying out its remit.

This audit committee report was approved by the Boards on 1 March 2018 and is signed on their behalf.

John Nicholas
Chairman of the DLC audit committee



Speakout

The Group has a confidential reporting hotline called 'Speakout' operated by an independent third party. Speakout, monitored by the audit committee, is a simple, accessible and confidential channel through which our employees, customers, suppliers, managers or other stakeholders can raise concerns about conduct that seems contrary to Mondi's values. It makes communication channels available to any person in the world who has information about unethical practices in the Group's operations. More details can be found on page 53. The committee receives a report at each meeting of Speakout messages received in the period since the prior meeting and ensures that appropriate investigation into each message has been undertaken and responses given with actions taken where any allegation proves to have some foundation. This will continue to be an area of focus for the committee with such reports being key to understanding where further work may be required to reinforce Mondi's ethical and cultural values.

DLC sustainable development committee

“It is encouraging to note the excellent progress made towards achieving commitments in relation to emissions to air and waste to landfill. In a world of increasingly constrained resources, we recognise the imperative to do more with less and to play our part in contributing to the achievement of global objectives such as the Paris Climate Agreement and the United Nations Sustainable Development Goals.”

Stephen Harris
Chairman of the DLC sustainable development committee

Composition

Members throughout the year	Committee member since	Meeting attendance (six meetings in the year)
Stephen Harris, chairman	March 2011	6
David Hathorn[1]	May 2007	2
Peter Oswald[2]	May 2017	4
Anne Quinn[1]	August 2009	2
Dominique Reiniche[2]	May 2017	4

1 David Hathorn and Anne Quinn stepped down from the committee on 11 May 2017. David and Anne both attended all meetings up to the time of their retirement from the Boards

2 Peter Oswald and Dominique Reiniche were appointed to the committee on 11 May 2017. Peter and Dominique both attended all meetings following their appointment

Other regular attendees

→ Group Technical & Sustainability Director

→ Group Head of Sustainable Development

→ Group Head of Safety and Health

How the committee spent its time

The committee oversees and monitors the progress of our sustainable development (SD) approach, commitments, targets and performance within a global context. Providing guidance in relation to sustainability matters generally, reviewing and updating the Group’s framework of sustainability policies and strategies, ensuring they are aligned with global best practice. Its remit is set out in terms of reference adopted by the Boards. The committee’s performance against these terms of reference is reviewed on an annual basis. The committee is satisfied that it has acted in accordance with its terms of reference during the year.

The safety of our employees and contractors continued to be a priority during the year with safety performance being reviewed in detail at each meeting. We were deeply saddened by the two fatalities we experienced during the year and the investigations in each case were critical to the committee’s understanding of the events that led to these incidents and the actions we can take to prevent them reoccurring in the future. In addition, a forestry worker was reported missing (presumed deceased) in Russia during preparation for cleaning activities on the river in our Syktyvkar logging operations. We also experienced a number of serious incidents during the year. While safety has always been high on the agenda, the committee will refocus during 2018 on ensuring that a culture of safe behaviour is embedded throughout the business. The 24-hour safety mindset approach was introduced during 2017 and we will continue to build on this.

Corporate governance report

A review of Mondi's approach to the UK Modern Slavery Act was undertaken by the committee during the year. External support was engaged to assist us in fully understanding the requirements of the Act and how to apply these at Group level as well as throughout our business. It was important for the committee to assess the current position in terms of our policies in relation to labour and human rights and supply chain and responsible procurement, the principal risks facing us, the key areas of our supply chain that needed to be reviewed and our reporting mechanisms. The committee ultimately agreed and recommended to the Boards a statement for publication on Mondi's website. While we have good policies and practices in place already, further work is required and progress against the commitments we made in the statement will remain a focus for the committee into 2018.

The increasing focus on stakeholder interests and how companies are engaging with their stakeholders was also an area of consideration for the committee during the year. In light of the provisions in the King IV Governance Code, the proposed revisions to the UK Corporate Governance Code and Mondi's commitment to good corporate citizenship and ethical behaviour, this will remain a priority during the coming year.

The committee works together with the Mondi Limited social and ethics committee in addressing social and ethical values. The Group Technical & Sustainability Director together with the Group Heads of Sustainable Development and Safety and Health attend all meetings of the committee and provide the link between the committee, management and the operations.

A summary report from the directors on the Group's sustainability practices is set out on pages 42 to 55.

Other matters addressed by the committee included:

Safety performance and serious incidents

- → Reviewing detailed reports on the fatalities at our Tire Box plant and in our South African forestry operations and receiving follow up reports on the outcome of the investigation into each incident, management's response and actions taken.
- → Receiving regular follow up reports in relation to a missing forestry worker in Russia, monitoring the outcome of the ongoing search process.
- → Reviewing detailed reports of selected incidents, for example those resulting in life-altering injuries or having a high risk potential and reviewing management's response.
- → Receiving regular reports on safety performance at Group and business unit level, including individual mill performance, classification of incidents and peer comparisons.
- → Reviewing trends in security statistics in South Africa.
- → Considering the safety milestones and leading and lagging indicators for the next reporting period.

SD governance and risks

- → Reviewing those elements of the Group's Code of Business Ethics reserved for review by the committee.
- → Reviewing the material SD issues, risks and opportunities.
- → Reviewing and approving the annual SD reporting.
- → Reviewing the committee's terms of reference and performance.
- → Considering and agreeing the committee's annual work programme.

Environmental performance

- → Receiving regular reviews on performance against each of the environmental key performance indicators and commitments.
- → Receiving information on any material environmental incidents and considering management's response.

Policies and commitments

- → Reviewing the achievements against the 2020 commitments.
- → Reviewing Group SD policies and approval of amendments to reflect best practice and the requirements of the UK Modern Slavery Act.
- → Receiving an update on and monitoring progress with the implementation of the SD policies and commitments.
- → Receiving an update on the review and amendment of Mondi's Sustainable Development Management System operating standards.

Forestry

- → Reviewing an update on the forestry operations in Russia.
- → Reviewing an update on the forestry operations in South Africa.

Community and other relationships

- → Reviewing the Group's relationships and engagement with key stakeholders, including governments, NGOs and analysts and changing regulation and governance in this area.
- → Reviewing the on-going WWF global partnership and initiatives.
- → Reviewing our social and community engagement, including Community Engagement Plans and proposals for SEAT's (Socio-economic assessment toolbox) in 2018.

Product stewardship

- → Receiving a report on the Group's product stewardship practices.
- → Considering the increased focus on supply chain management, including the impact of the UK Modern Slavery Act and the requirement to ensure that slavery and human trafficking are not present in our supply chain.
- → Reviewing a position paper on the sustainability of plastic-based flexible packaging designed to provide an overview of the Consumer Packaging business' approach to sustainability and to assist in responding to questions from customers.

Mondi Limited social and ethics committee

"Mondi demonstrates a high level of compliance with statutory requirements and significant commitment to, and delivery of, the community-focused programmes undertaken during the period under review."

Stephen Harris
Chairman of the Mondi Limited social and ethics committee

Composition

Members throughout the year	Committee member since	Meeting attendance (two meetings in the year)
Stephen Harris, chairman	February 2012, chairman since October 2015	2
David Hathorn[1]	February 2012	1
Peter Oswald[2]	May 2017	1
Fred Phaswana	October 2015	2

The composition of the committee is in accordance with the requirements of section 72(8) of the South African Companies Act 2008 and its associated regulations.

1 David Hathorn stepped down from the committee on 11 May 2017. David attended all meetings up to the date of his departure

2 Peter Oswald was appointed to the committee on 11 May 2017. Peter attended all meetings following his appointment

Other regular attendees

→ Non-executive directors (who are not members of the committee)

→ Executive management who present on relevant topics

How the committee spent its time

The committee monitored compliance by Mondi Limited with the activities listed in Regulation 43(5) made under the South African Companies Act 2008, based on applicable legislation, other legal requirements or prevailing codes of best practice relating to its operations in South Africa.

In order to minimise duplication between its obligations and that of the DLC audit committee and the DLC sustainable development committee, the committee considers reports from these two committees as they relate to the environment, labour, human rights, product responsibility, risk management, whistle blowing, fraud and business integrity and monitors compliance by Mondi Limited on overlapping matters.

The committee's remit is set out in terms of reference adopted by the Boards. The committee's performance against these terms of reference is kept under review and the committee is satisfied that it has acted in accordance with its terms of reference during the year.

Other matters addressed by the committee included:

Corporate citizenship

→ Community development and corporate social investment initiatives. Initiatives included coaching and mentoring over 30 contractors to date through Mondi Zimele's forestry contractor development programme; a focus on small scale land owners in agricultural enterprises with over 130 local students trained in partnership with Buhle Farmers Academy; and the provision of business funding to nine local agri-businesses focused on vegetable production, chicken farming and seedling nurseries.

Employment Equity and Broad Based Black Economic Empowerment (BBBEE)

→ Progress made against the employment equity targets set for the period 2013 to 2017.

→ Monitoring of Mondi Limited's BBBEE status. The Forestry Sector Code, which Mondi Limited would be measured against, had only been finalised towards the end of the year, with the result that Mondi Limited was, during the review period, measured against the previous Generic Codes. In November 2017 Mondi Limited had an independent assessment performed against the newly approved Forestry Sector Code which confirmed its status as a level 4 contributor. This status will apply until March 2018 when a new assessment will be performed to coincide with the financial year.

Labour and employment matters

→ Compliance by Mondi Limited with South African labour legislation which incorporates the decent work requirements prescribed by the International Labour Organization (ILO). The committee noted specifically the various areas of employer/employee interface and the progress made in addressing focus areas arising from the last employee survey.

→ Training and development activities. The committee noted the approximately 1,427 training initiatives embarked on during 2017, 81% of employees received training during the year under consideration.

→ Various initiatives and procedures pursued to achieve Mondi Limited's transformation and diversity management objectives, including diversity training.

Consumer relations

→ Mondi Limited's customer relations initiatives as well as the levels of certification of its products used for food packaging.

Environment, health and public safety

→ Mondi Limited's environmental performance, including Effluent Load COD, Malodorous Gas TRS, Specific Contact Water and Waste to Landfill.

→ Mondi Limited's performance relating to CO_2e emissions, carbon-based energy consumption, use of renewable resources for primary energy and electrical self-sufficiency.

Anti-corruption

→ The requirements of the King IV Code of Good Practice with regard to the principles relating to ethical leadership, and Mondi Limited's activities relating to the eradication of corruption, including with reference to the UN Global Compact and the OECD Recommendations.

Corporate governance report
DLC executive committee and company secretaries

Peter Oswald
55
Chief Executive Officer

82 See full biography

Andrew King
48
Chief Financial Officer

82 See full biography

Erik Bouts
56
Chief Executive Officer, Fibre Packaging

Appointed
May 2017

Committee membership
Executive

Qualifications
MBA from the University of Tilburg in the Netherlands and completed the Advanced Management Programme at Harvard Business School

Experience
Erik has extensive experience in the packaging industry, having worked for a number of major US Packaging corporations.

Erik spent over two decades at Philips Electronics holding roles of increasing responsibility up to President and CEO of Philips Lighting North America before joining ICI Paints North America as President of the Glidden Company.

He went on to become President of the EMEA region for Owens-Illinois Inc, a manufacturer of glass packaging products. In 2015 Erik joined Ball Corporation as Senior Vice President and Chief Operating Officer to head up the global metal beverage packaging business, based in Zurich and Denver. Erik joined Mondi in April 2017.

External appointments
None.

Georg Kasperkovitz
51
Chief Executive Officer, Consumer Packaging

Appointed
May 2017

Committee membership
Executive

Qualifications
Masters and doctorate in mechanical engineering from Vienna University of Technology and an MBA from Harvard Business School

Experience
Georg has more than 22 years of international experience having been Chief Financial Officer and Chief Operating Officer of Rail Cargo Austria and a consultant and partner with McKinsey & Company, Inc.

Georg started his career as an engineer, working for five years in eastern Europe with Eléctricité de France/A.S.A.

After graduating from Harvard Business School, he went on to work for 13 years for McKinsey & Company, Inc, focusing particularly on the industrial sector. He gained international operations, transformation and corporate finance experience in western and eastern Europe, North America, Australia, Singapore, China and Africa.

In August 2012 Georg joined Rail Cargo Austria AG executive management and successfully implemented the turnaround programme he had shaped as a consultant. He went on to join Mondi in 2016.

External appointments
Member of the supervisory board of SBB CFF FFS AG (Swiss Federal Railways).

John Lindahl
58
Group Technical & Sustainability Director

Appointed
August 2011

Committee membership
Executive

Qualifications
Graduated in pulp and paper engineering from the Technical University of Helsinki in 1985 and an MBA from Jyvaskyla University in 1996

Experience
John has had an extensive career in the international forest industry, working in different operational managerial positions in Finland, the US and France in companies including M-real, Myllykoski and UPM. At UPM he then moved on to roles within corporate technology and investment coordination.

From the industry he moved on to consulting and engineering company Pöyry, where he held a number of executive positions in the forest industry business group, being involved in advisory services, pre-engineering studies and major implementation projects for the global pulp and paper industry until 2011 when he joined Mondi as Group Technical Director.

External appointments
None.

Vivien McMenamin
54
Chief Executive Officer, South Africa

Appointed
October 2017

Committee membership
Executive

Qualifications
MSc in Economics from the University of London

Experience
Viv has more than 14 years' experience with Mondi, having joined Mondi Paper South Africa as Manager Corporate Affairs in 2003. After joining Mondi, Viv went on to be appointed Director of Sustainable Development for the Mondi Group and a member of the Mondi South African board in 2004 before becoming Director Land & Forestry for Mondi's South African business in 2006.

Prior to this, Viv worked extensively with government, trade unions and non-governmental organisations in South Africa, serving Nelson Mandela as a member of the President's Task Force on Local Economic Development and as a member of President Thabo Mbeki's Economic Advisory Panel.

Viv was appointed Chief Executive Officer of Mondi's South African business in October 2017.

External appointments
None.

Peter Orisich
58
Chief Executive Officer, Uncoated Fine Paper

Appointed
May 2017
Committee membership
Executive
Qualifications
Graduated in business administration from the WU-Vienna business school

Experience
Peter has extensive experience in the industrial and consumer packaging industry, having started his career at Unilever where he spent 14 years. He held management roles in a number of divisions across central and eastern Europe.

In 1998 he joined Lafarge Perlmooser as Chief Financial Officer, later going on to become Chief Executive Officer and leading the Austrian and Slovenian cement subsidiaries of Lafarge, a global manufacturer of building materials.

After 10 years at Lafarge Perlmooser, Peter joined Mondi as Chief Executive Officer of Mondi Industrial Bags, taking responsibility for the strategy and operations of Mondi's industrial bags business. He went on to be appointed as Chief Executive Officer of Mondi's Uncoated Fine Paper business in 2012.

External appointments
None.

Sara Sizer
55
Group Communication & Marketing Director

Appointed
September 2017
Committee membership
Executive
Qualifications
Degree in Business Administration from Loughborough University

Experience
Sara has more than 30 years' experience in communication and marketing, having held senior positions at a number of large international industrial companies.

In 1997, she joined Rolls-Royce plc as Head of Communication before being appointed as Head of Group Communications at Shell International. Sara went on to become Group Head of Marketing at BG Group.

In 2010, Sara joined Mondelēz International (formerly Kraft Foods Inc), the multinational food and beverage company, where she held the role of Director Corporate & Government Affairs Europe and then Vice President Global Communication.

Sara joined Mondi in September 2017 as Group Communication & Marketing Director.

External appointments
None.

Clemens Willée
55
Chief Executive Officer, Packaging Paper

Appointed
May 2017
Committee membership
Executive
Qualifications
PhD and Masters degree in business administration from the University of St. Gallen in Switzerland

Experience
Clemens has more than 25 years' experience in industrial businesses. He started his career at BASF Group in 1989 where he went on to hold a number of senior management positions.

In 2000 he joined the global chemical company DyStar where he went on to serve as Chief Executive Officer. In 2008 Clemens was appointed as Chief Executive Officer of global packaging company MAUSER before moving to Mondi in 2013.

External appointments
None.

Philip Laubscher
62
Company Secretary Mondi Limited

Experience
Philip Laubscher, who holds BProc and LLB degrees and is an attorney of the High Court of South Africa, was in-house counsel with national power utility Eskom for 15 years before joining Mondi in 1999 as Head of Legal Services. He was appointed Company Secretary of Mondi Limited in January 2001.

Jenny Hampshire
34
Company Secretary Mondi plc

Experience
Jenny Hampshire, a fellow of the Institute of Chartered Secretaries & Administrators, joined Mondi in May 2007 and has held various roles in the company secretariat, including five years as Assistant Company Secretary. She was appointed Company Secretary of Mondi plc in December 2016. Prior to joining Mondi Jenny worked for The BOC Group plc in its company secretariat.

Philip and Jenny work together on the coordination of Mondi's DLC structure.

Corporate governance report

DLC executive committee

" With a number of capital projects underway, the focus during 2017 was on ensuring the smooth implementation of these projects. At the same time, we continued to review and consider potential growth opportunities for the Group. Changes to the composition of the committee during the year have given the committee a broader perspective and allow our business unit managers to more directly influence the delivery of our stated strategy and the decisions of the committee."

Peter Oswald
Chairman of the DLC executive committee

Composition

Members throughout the year	Committee member since	Meeting attendance (nine meetings in the year)
Erik Bouts[1]	May 2017	5
David Hathorn, chairman[2]	May 2007	4
Cornelia Hulla[3]	May 2017	2
Georg Kasperkovitz[1]	May 2017	5
Andrew King[4]	May 2007	8
John Lindahl	August 2011	9
Vivien McMenamin[5]	October 2017	1
Peter Orisich[1]	May 2017	5
Peter Oswald, chairman[2]	May 2007	9
Sara Sizer[6]	September 2017	2
Ron Traill[7]	June 2008	8
Clemens Willée[1]	May 2017	5

1 Erik Bouts, Georg Kasperkovitz, Peter Orisich and Clemens Willée were appointed to the committee on 11 May 2017. They attended all meetings following their appointment
2 David Hathorn stepped down from the committee on 11 May 2017. David was chairman of the committee and attended all meetings up to the time of his retirement from the Boards. Peter Oswald became chairman with effect from his appointment as Group Chief Executive Officer on 11 May 2017
3 Cornelia Hulla was appointed to the committee on 11 May 2017 and stepped down on 10 August 2017. Cornelia attended all meetings between the date of her appointment and the time of her departure
4 Andrew King was unable to attend one meeting during the year due to a family emergency
5 Vivien McMenamin was appointed to the committee on 1 October 2017. Viv attended all meetings following her appointment
6 Sara Sizer was appointed to the committee on 18 September 2017. Sara attended all meetings following her appointment
7 Ron Traill stepped down from the committee on 11 October 2017. Ron attended all meetings up to the time of his departure

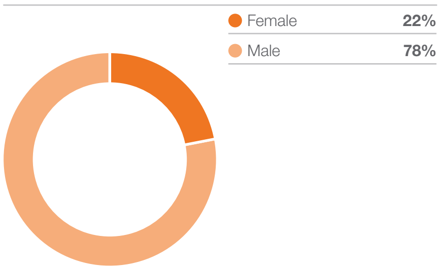
Other regular attendees

→ Representatives from corporate functions, each of whom present on relevant topics

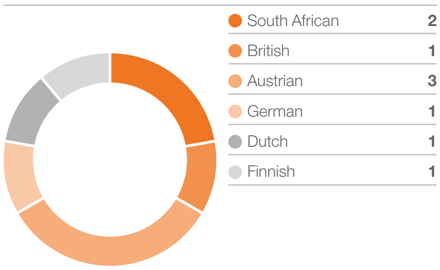
Composition

Following David Hathorn's retirement from the Boards on 11 May 2017, Peter Oswald was appointed Chief Executive Officer and took over the chairmanship of the committee. The opportunity was therefore taken to review the membership of the committee and to establish whether or not it had the right balance of skills, experience and diversity. After consultation with Peter, the nominations committee recommended a number of changes for consideration by the Boards. These included the appointment of the CEO of each of Mondi's business units to the committee, the aim being to provide the committee with a broader perspective and more direct input from the businesses. The recommended changes were subsequently agreed by the Boards and are detailed in the table opposite. Ron Traill retired as CEO of the South Africa business in October 2017 and was replaced by Vivien McMenamin.

Diversity of the executive committee
%



Nationalities represented on the executive committee



Key responsibilities

→ Day-to-day management of the Group within the limits set by the Boards, including implementation of operational decisions
→ Strategy implementation, including a more in-depth annual strategy session
→ Risk identification and the management of mitigation of those risks
→ Monitoring financial, operational and safety performance, in particular monitoring the achievement of budgets, forecasts and targets
→ Policy implementation

Stakeholder engagement

While the Joint Chairmen maintain responsibility for ensuring there is effective communication with shareholders, it is the Chief Executive Officer and Chief Financial Officer who undertake active engagement with investors, meeting with Mondi's largest shareholders, analysts and fund managers. The Senior Independent Director is always available to meet with shareholders as required should any issues not be capable of resolution through the more regular channels.

Below are details of the key investor events that have taken place during 2017, including meetings, investor roadshows and participation in investor conferences. In addition, the executive management make themselves available to investors in order to maintain an open dialogue, resulting in a number of meetings and calls taking place throughout the year.

It is important that we maintain this regular engagement with shareholders and prospective investors in order to allow us the opportunity to further explain our strategy and priorities. It is also hoped that such engagement and our willingness to be transparent builds trust in Mondi's management and develops the investor community's understanding of our business. While we accept that our shareholders will have different priorities and varying views on the future of Mondi, we welcome these views and the constructive dialogue that we aim for.

In addition, we maintain ongoing contact with our debt providers and the Chief Financial Officer and Group Treasurer have held regular meetings with the credit rating agencies, relationship banks and debt investors.

The remuneration committee consults with shareholders on remuneration matters when appropriate, most recently in relation to proposed changes to the Group's remuneration policy which were approved at the Annual General Meetings in 2017. Such consultation is key to understanding shareholder views in this area.

The Company Secretary's office is the focus for private shareholder communications, responding to individual shareholder correspondence, and coordinating our engagement on corporate governance matters.

Investor events

Month	Event
February	→ Preliminary results announcement → Investor roadshow in South Africa (Johannesburg)
March	→ Investor roadshow in South Africa (Cape Town) → Investor roadshows in Europe (Edinburgh and London), including Jefferies packaging conference → Sun City Merrill Lynch conference (South Africa)
April	→ Discussions with investors and advisory bodies prior to Annual General Meetings
May	→ Trading update → Annual General Meetings → Investor day in Paris → Investor roadshow in the US (New York and Boston)
August	→ Half-yearly results → Investor roadshows in South Africa (Johannesburg and Cape Town)
September	→ Investor roadshows in Europe (London and Edinburgh)
October	→ Trading update → Capital Markets Day in London and site visit to two Consumer Packaging plants in Germany
November	→ London UBS conference → Investor day in Dublin

Capital Markets Day

In October 2017 Mondi hosted a Capital Markets Day in London. There were approximately 100 attendees at the event including investors, analysts and advisers. In addition, a number of people followed the event via our webcast. The day included presentations by the Chief Executive Officer, the Chief Financial Officer and the chief executive officers of each of the business units, allowing attendees to hear from management first hand. The presentations provided an update on the Group's strategic framework and how this is being executed across the business units, including examples of some of Mondi's key investment projects and innovative products. The event was followed by visits to our Consumer Packaging plants in Gronau and Steinfeld, both in Germany.

Video recordings and copies of the presentations from the day are also available on the Mondi Group website.

Corporate governance report

The increasing focus on wider stakeholder engagement means we are also very aware of the need to consider the interests of not just our shareholders but also our employees, customers and the communities in which we operate. Our Growing Responsibly model provides the framework within which we can do this and through our sustainable development committee encourages us to consider more widely the impact that our business can have. Our Group Head of Sustainable Development continues to maintain a dialogue on socially responsible investment through focused briefings with interested investors and stakeholders and collaborates closely with a number of external bodies on such matters. More information can be found in our online sustainable development report.

All directors are kept informed of shareholder views and feedback, particularly from the full and half-year investor roadshows, which are presented and discussed at board meetings. Analyst reports are shared regularly with the Boards and consideration given to any views both positive and negative regarding the Group's performance, future direction and the perceptions of the management team.

The Mondi Group website – www.mondigroup.com – contains a wealth of information including the latest news from around the Group, announcements, share price information and general shareholder information as well as more in-depth reports regarding our sustainability commitments and progress.

No requests for access to records under the South African Promotion of Access to Information Act 2000 were received during 2017.

Annual General Meetings

At the 2017 Annual General Meetings all resolutions were passed. Overall in excess of 76% of the total Group shares were voted.

The Annual General Meetings of Mondi Limited and Mondi plc are scheduled to be held on 16 May 2018 in Johannesburg and London respectively, presenting an opportunity for shareholders to question the directors about our activities and prospects.

Directors are available to meet informally with shareholders immediately before and after the meetings. It is expected that all directors and, in particular, the chairmen of the committees will be present.

Separate resolutions will be proposed for each item of business to be considered at the meetings with the voting conducted by polls. It is confirmed that each director will be standing for re-election by shareholders at the meetings. All resolutions to be presented to shareholders represent regular business, with the exception of resolutions related to the proposed special dividend (more details can be found on page 27). These resolutions represent special business. The voting results will be announced on the JSE and LSE and made available on the Mondi Group website as soon as practicable following the close of both meetings.

The notices, which include explanations of each resolution, are contained in separate circulars which will be sent to all shareholders in advance of the meetings, in accordance with the corporate governance codes of South Africa and the UK.

Dealing in securities

The Boards have adopted a share dealing code for dealing in the securities of Mondi Limited and Mondi plc. The code is based on regulatory and governance best practice in South Africa and the UK and sets out in detail the restrictions placed on directors, senior management and other key employees with regard to their share dealing to ensure that they do not abuse their access to information about the Group pending its public release and availability to shareholders. The code is accompanied by clear procedures and guidelines.

The code is reviewed regularly to ensure continued compliance with regulation and best practice. A thorough review and revision of the code was undertaken in 2016 to reflect the introduction of the EU Market Abuse Regulation. Relevant employees are regularly reminded of their obligations and the procedures they are required to follow.

Mondi has established a disclosure committee, of which the Chief Executive Officer, the Chief Financial Officer and the company secretaries of Mondi Limited and Mondi plc are members, to monitor Mondi's obligations in this regard.

The committee is responsible for determining whether information should be classified as inside information in accordance with regulation and for procuring the prompt release of such information, or agreeing a delay in disclosure, as appropriate. If disclosure is delayed, the committee will ensure that the conditions set out in regulation are met, including to maintain confidentiality of information. The committee will oversee the creation and maintenance of insider lists, minimising the risk of an accidental leak or share dealing by employees while in possession of inside information. The disclosure committee meets regularly throughout the year.

All dealings by directors and persons discharging managerial responsibilities and their closely associated persons are announced to the JSE and the LSE when they occur. Details of the directors' interests in the shares of both Mondi Limited and Mondi plc can be found on page 128.

Business ethics

Mondi continues to have a stated policy of zero tolerance of bribery and corruption and ethical decision-making and behaviour both at board level and throughout the business is fundamental to Mondi's governance. The Boards have adopted a Code of Business Ethics that governs our corporate conduct and which applies throughout the Group. The code sets out five fundamental principles that govern the way in which Mondi and its employees conduct business. Three of the principles are monitored and reviewed by the sustainable development committee (human rights, stakeholders and sustainability) and two by the audit committee (legal compliance and honesty and integrity). More information about Mondi's approach to anti-bribery and anti-corruption can be found on page 53.

Mondi has not been the subject of any legal actions against it for anti-competitive behaviour, anti-trust or monopoly practices during the year. Mondi has not received any material fines or non-monetary sanctions for non-compliance with laws and regulations.

Remuneration report
Introduction from the DLC Remuneration Committee Chairman

Tanya Fratto
Chairman of the DLC remuneration committee

I am very pleased to present the committee's report on directors' remuneration, my first as committee chairman. The Boards are very grateful to Anne Quinn, who I succeeded as chairman of this committee at the 2017 AGMs when Anne retired from the Boards after ten years.

Due to Mondi's DLC structure we are required to comply with both UK and South African voting regulations. The Directors' Remuneration Policy (DRP) remains unchanged since it was approved by shareholders under the usual triennial binding vote of shareholders at last year's AGMs. The same policy will be tabled for an annual advisory vote by Mondi Limited shareholders in 2018, in accordance with South African regulations. The implementation report will be put to a non-binding vote by the shareholders of both Mondi Limited and Mondi plc.

In preparation for the binding policy vote in 2017, the committee carried out an extensive consultation with our largest shareholders. The remuneration policy received over a 95% vote in favour and the remuneration report received over a 98% vote in favour.

The key changes approved by shareholders at the 2017 policy vote were:

→ Upward adjustment of the maximum variable pay, to bring it closer to market median levels, with the annual bonus maximum level increasing to 175%, and the LTIP maximum grant level to 225% of base salary. However, these maximums remain below the mid-market level for a company of Mondi's size, and the committee has applied restraint in not utilising the full amount permitted under the new policy in 2017. The actual annual bonus maximum and LTIP grant levels in 2017 were set below these new policy limits. The maximum annual bonus was set at 165% of base salary for Peter Oswald (Group Chief Executive Officer) and 135% of base salary for Andrew King (Group Chief Financial Officer). The LTIP grants in 2017 were set at 210% and 175% of base salary for the Group CEO and Group CFO respectively.

→ Introduction of a two-year post-vesting sale restriction period to apply for LTIP shares awarded to executive directors from 2017 onwards.

→ Increase in the shareholding requirement to 200% of base salary, from 150% (Chief Executive Officer) and 100% (other executive directors) of base salary.

In addition, for LTIP awards in 2017, the committee increased the ROCE performance required for 100% vesting of this portion of the award from the previous level of 16% to a new level of 18%. The committee's continuing approach will be to set target ranges that are aligned to Mondi's strategy and are suitably stretching, and will retain discretion to determine those metrics and targets.

Changes to the executive team during 2017

2017 was a year of change for Mondi's management team, with David Hathorn retiring from the Boards in May 2017 but continuing in an executive capacity until February 2018 to ensure a smooth transition.

While David continued to work in an executive capacity, he received salary and benefits. He was eligible for a 2017 annual bonus subject to the normal performance conditions, and received a 2017 LTIP grant. The committee decided that any bonus awarded for 2017 performance, and the LTIP granted in 2017, should be subject to the limits that applied to David in 2016 and not the new higher opportunity for the chief executive officer role in the policy approved at last year's AGM.

David's LTIP awards have been pro-rated down for time served in accordance with shareholder guidelines, at the date he retired, and remain subject to the normal performance conditions and vesting dates. The two-year post-vesting sale restriction period on the LTIP for awards from 2017 onwards will continue to apply to David's 2017 LTIP award after he has retired. David is not eligible for an annual bonus in respect of the small portion of 2018 that he worked, and will not be eligible for a 2018 LTIP grant.

David was succeeded as Group CEO by Peter Oswald, who has been with Mondi since 1992 and successfully led Mondi's former Europe & International Division since 2008. Peter's base salary was increased to €1,050,000 to reflect his promotion to the role, which was less than David's base salary at the prevailing exchange rate when Peter was appointed. Peter's pension allowance remains at the percentage that applied to his old role of 25% of base salary, rather than increasing to the 30% level that applied to David. Peter's maximum annual bonus for 2017 has been apportioned pro-rata to the period he was Chief Executive Officer Europe & International, and to his period as Group Chief Executive Officer.

Remuneration report
Introduction from the DLC Remuneration Committee Chairman

Andrew King's relocation

During the year Mondi asked Andrew King to relocate to the UK from South Africa, to be based closer to the Group's principal centre of operations in Europe. In accordance with the DRP, Andrew was eligible for assistance with relocation expenses, details of which can be found in this report. The principal cost was the stamp duty tax on the purchase of a property in the UK, which was a significant one-off expense.

Performance and remuneration for 2017

Remuneration for our executive directors continues to be based on the principles of pay for performance and alignment with shareholders. Annual bonuses are dependent on a scorecard of financial and non-financial elements, and 50% of any bonus is deferred into Mondi shares for three years. The LTIP is aligned to sustained financial performance, measured through our percentage Return on Capital Employed (ROCE), and our relative total shareholder return (TSR) compared to other international companies in our sector. Executive directors are also required to build a personal shareholding in Mondi.

As described in the Strategic report, Mondi's performance in the year under review was strong. ROCE performance was 19.7% and EBITDA[1] was €1,444 million. Bonus performance outcomes against the targets that were set are outlined in the annual report on remuneration. As in previous years, with due regard to commercial sensitivity, EBITDA and ROCE targets are disclosed on a prior year, retrospective basis. Disclosure of the safety and personal objectives elements are for the year under review.

Performance outcomes are reflected in the remuneration received by directors:

- → Annual bonuses of 63% of the maximum have been awarded in respect of performance in 2017 for Peter Oswald, Andrew King and David Hathorn. This recognises the Group's financial performance as well as performance against personal, operational and strategic objectives that were set at the start of the year. Safety performance as measured on total recordable incidents was good. However, as a result of the tragic and unacceptable fatalities of workers engaged in Mondi's operations, no payment has been made under the safety element. The bonus amount shown in this report for David Hathorn reflects his time on the Boards up to his retirement in May 2017.
- → The performance period for the 2015 LTIP ended on 31 December 2017. Half of the award was based on ROCE performance and the other half on relative TSR performance. ROCE for the three-year performance period was 20.2%, above the applicable performance range of 10% to 16%. The Group's TSR over the period was 64% for Mondi plc and 65.8% for Mondi Limited, which placed it above the median of the comparator group. As a result of this performance 100% of the ROCE element, and 45% of the TSR element, and therefore 72.5% of the overall LTIP award, vested.

Base salary increases of circa 2.5% were implemented with effect from 1 January 2018, after consideration of percentage increases for the wider employee population.

The remuneration policy is designed to motivate our senior team to achieve the Group's objectives and deliver sustainable returns for our shareholders. The remuneration of executives during 2017 reflects our successes to date in the delivery of our strategy.

I trust that you will feel able to support the remuneration resolutions at this year's Annual General Meetings.

Tanya Fratto
Chairman of the DLC remuneration committee

1 EBITDA as used in the remuneration report refers to underlying EBITDA as defined in note 33 in the notes to the combined and consolidated financial statements

Directors' remuneration policy

The report

The report has been prepared by the DLC remuneration committee and approved by the boards of Mondi Limited and Mondi plc (together 'the Boards'). PricewaterhouseCoopers Inc and PricewaterhouseCoopers LLP have independently audited the items stipulated in the regulations:

- → executive directors' and non-executive directors' remuneration and associated footnotes on page 122;
- → the table of share awards granted to executive directors and associated footnotes on pages 130 and 131; and
- → the statement of directors' shareholdings and share interests on page 128.

Directors' remuneration policy

This part of the directors' remuneration report sets out the remuneration policy for the Group and has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The policy has been developed taking into account the principles of the governance codes in South Africa and the UK and the views of our major shareholders. The policy was approved by a binding shareholder vote at the Annual General Meetings on 11 May 2017.

The Group's remuneration policy has been set with the objective of attracting, motivating and retaining high-calibre directors, in a manner that promotes the long-term success of the Group, is consistent with best practice and aligned with the interests of the Group's shareholders.

Remuneration policy for executive directors is framed around the following key principles:

- → remuneration packages should be set at levels that are competitive in the relevant market;
- → the structure of remuneration packages and, in particular, the design of performance-based remuneration schemes, should be aligned with shareholders' interests and should support the achievement of the Group's business strategy and the management of risk;
- → a significant proportion of the remuneration of executive directors should be performance-based;
- → the performance-based element of remuneration should be appropriately balanced between the achievement of short-term objectives and longer-term objectives; and
- → the remuneration of executive directors should be set taking appropriate account of remuneration and employment conditions elsewhere in the Group.

Directors' remuneration policy

Executive directors' remuneration policy table

The following table summarises key elements of the remuneration of executive directors in accordance with reporting regulations:

	Base salary	Benefits	Pension	Bonus Share Plan (BSP)
Purpose and link to strategy	To recruit and reward executives of a suitable calibre for the role and duties required.	To provide market competitive benefits.	To provide market competitive pension contributions.	To provide incentive and reward for annual performance achievements. To also provide sustained alignment with shareholders through a deferred component.
Operation	Reviewed annually by the committee, taking account of Group performance, individual performance, changes in responsibility and levels of increase for the broader employee population. Reference is also made to market median levels in companies of similar size and complexity. The committee considers the impact of any base salary increase on the total remuneration package. Salaries (and other elements of the remuneration package) may be paid in different currencies as appropriate to reflect their geographic location.	The Group typically provides: → car allowance or company car; → medical insurance; → death and disability insurance; → limited personal taxation and financial advice; and → other ancillary benefits, including relocation and assistance with expatriate expenses (as required). The policy authorises the committee to make minor changes to benefits provision from time to time, including if appropriate implementing all-employee share plans up to the limits approved by tax authorities.	Defined contribution to pension, or cash allowance of equivalent value. Only base salary is pensionable.	Awards are based on annual performance against a balanced scorecard of metrics as determined by the committee from time to time such as EBITDA and percentage ROCE and safety. These have the highest weighting (currently 70% of the total). Individual performance is also assessed against suitable objectives, and currently has a 30% weighting. The policy gives the committee the authority to select suitable performance metrics, aligned to Mondi's strategy and shareholders' interests, and to assess the performance outcome. Half of the award is delivered in cash and half in deferred shares which normally vest after three years (subject to service conditions), and with no matching element. On vesting of deferred shares, participants receive a bonus of equivalent value to the dividends that would have been payable on those shares between the date when the awards were granted and when they vest. Malus and clawback provisions apply to awards made since January 2011.
Maximum opportunity	There is no prescribed maximum salary or annual increase. However, increases will normally be no more than the general level of increase in the UK market or the market against which the executive's salary is determined. On occasions a larger increase may be needed to recognise, for example, development in role or change in responsibility. Details of the outcome of the most recent review are provided in the annual report on remuneration.	Maximum values are determined by reference to market practice, avoiding paying more than is necessary.	The maximum company pension contribution for executive directors is 25% of base salary, with the exception of David Hathorn whose contribution remained at 30% of base salary.	The maximum annual bonus is 175% of base salary. The committee applied a limit of 165% for the Chief Executive Officer and 135% for other executive directors for the 2017 performance year (i.e. below the policy maximum).

	Long-Term Incentive Plan (LTIP)	Share ownership policy
Purpose and link to strategy	To provide incentive and reward for the delivery of the Group's strategic objectives, and provide further alignment with shareholders through the use of shares.	To align the interests of executive directors with those of shareholders.
Operation	Individuals are considered each year for an award of shares that normally vest after three years to the extent that performance conditions are met and in accordance with the terms of the plan approved by shareholders. Under the plan rules, the committee has the ability to cash-settle awards, if necessary, in exceptional circumstances. There is no current intention for awards to the executive directors to be delivered in this way. Awards are granted subject to continued employment and satisfaction of challenging performance conditions measured over three years, which are set by the committee before each grant. For awards to be granted in 2018, metrics comprise TSR against a suitable peer group, and percentage ROCE, each with a 50% weighting. The vesting outcome can also be reduced, if necessary, to reflect the underlying or general performance of the Group. Performance is measured over three calendar years, starting with the year of grant. For awards granted from 2013 onwards, an amount equivalent to dividends that would have been payable on the unvested share awards are rolled up and paid out (in cash and/or additional shares) at the end of the vesting period based on the proportion of the award that actually vests. Malus and clawback provisions apply to awards made since January 2011. A post-vesting holding period will apply to executive directors for awards made from 2017 onwards. Executive directors are required to retain the LTIP shares that vest (net of tax) for a period of two years. The two-year holding requirement will continue if they leave employment during the holding period. The shares held will count towards the executive director's normal holding requirement.	Executive directors are required to acquire and maintain shareholdings in Mondi Limited or Mondi plc to a minimum of 200% of base salary. The requirement is to be met within no more than five years from the date of appointment. While the executive director is building to the required shareholding level, deferred bonus awards under the BSP, net of the expected tax liability that will apply on vesting, will count towards the requirement. Once the required shareholding has been met, such shares will not count unless the committee at its sole discretion determines that a number of deferred shares may count towards the entitlement of a director. Unvested LTIP awards (i.e. those awards where performance targets and/or a service requirement must still be met for awards to vest) will not count towards the entitlement. LTIP shares that have vested and on which tax has been paid and that are within the two-year post-vesting holding period will count towards the entitlement. Previously compliant directors who do not meet the minimum requirements on annual assessment are to achieve compliance by 31 December of the same year. In order to allow the committee to deal with unexpected circumstances, the committee retains discretion on how to operate the Policy and may make exceptions and allowances if it sees fit.
Maximum opportunity	The maximum grant limit is 225% of base salary (face value of shares at grant), to any individual in a single year. For the awards made in 2017, the committee made awards below the policy maximum, of 210% of base salary to the Chief Executive Officer and 175% to other executive directors. 25% of the grant is available for threshold performance, rising on a straight-line scale to 100% of the grant for performance at the 'stretch' level. Individual awards, up to the policy limit, are determined each year by the committee. The committee's practice has historically been to make grants below the policy maximum as detailed in the annual report on remuneration.	Not applicable.

Directors' remuneration policy

Choice of performance measures and approach to target setting

Bonus Share Plan (BSP)

The table below shows the metrics for 2018, why they were chosen and how targets are set.

Metric	Why chosen?	How targets are set
EBITDA	A key indicator of the underlying profit performance of the Group, reflecting both revenues and costs.	Targets and ranges are set each year by the committee taking account of required progress towards strategic goals, and the prevailing market conditions.
ROCE (%)	A key indicator of the effective use of capital.	Targets and ranges are set each year by the committee taking account of the required progress towards strategic goals, and the prevailing market conditions.
Safety	One of the key indicators of whether the business is meeting its sustainability goal of zero harm.	The committee considers input from the DLC sustainable development committee, and sets appropriate standards and goals.
Personal performance	An indicator of the contribution each executive director is making to the overall success of the management team.	Targets are set each year by the committee, based on the specific priorities, and areas of responsibility of the role.

The policy gives the committee the authority to select suitable performance metrics, aligned to Mondi's strategy and shareholders' interests.

Long-Term Incentive Plan (LTIP)

The table below shows the metrics for 2018 grants, why they were chosen and how targets are set.

Metric	Why chosen?	How targets are set
TSR, relative to a peer group of competitors	TSR measures the total returns to Mondi's shareholders, so provides close alignment with shareholder interests.	The committee sets the performance requirements for each grant. A peer group of packaging and paper sector companies is used. Nothing vests below median. 25% vests for median performance; 100% vests for upper quartile performance, with a straight-line scale between these two points.
ROCE (%)	A key indicator of the effective use of capital.	The committee sets threshold and stretch levels, aligned to the Group's strategic targets for ROCE. Nothing vests below threshold. 25% vests for threshold performance; 100% vests for stretch performance, with a straight-line scale between these two points.

The policy gives the committee the authority to select suitable performance metrics, aligned to Mondi's strategy and shareholders' interests.

Differences in remuneration policy for executive directors compared to other employees

There are differences in the structure of the remuneration policy for the executive directors and employees, which are necessary to reflect the different levels of responsibility and market practices. The key difference is the increased emphasis on performance-related pay in senior roles. Lower maximum incentive pay opportunities apply below executive level, driven by market benchmarks and the relative impact of the role. Only the most senior executives in the Group participate in the LTIP and the BSP as these plans are targeted on those individuals who have the greatest responsibility for Group performance.

Executive directors' existing service contracts, and policy on loss of office

The service contracts for David Hathorn and Andrew King provide for one year's notice by either party. They include pay in lieu of notice provisions which may be invoked at the discretion of the Group. The payment in lieu of notice would comprise base salary, benefits and pension contributions for the notice period and an amount in compensation for annual bonus only for that part of the financial year the individual has worked.

Peter Oswald was recruited, and is based, in Austria. His service contract is required under Austrian law to be for a fixed period, which renewable fixed period expires on 30 April 2022. However, the contract has also been structured as far as possible to conform to the accepted practice for directors in the UK, and can be terminated on one year's notice by either party. Prior to 2008, he did not have a notice period, and was entitled to receive compensation on termination equivalent to remuneration for the unexpired term of the five-year fixed term contract. The committee re-negotiated this contract in 2008 to substantially reduce the Group's potential liabilities, and introduced a standard 12-month notice period, together with an accompanying lump sum payment on termination, which was necessary to facilitate the transition from the previous contract. In the event of termination by Mondi, other than for 'cause', the current contract provides for payment of base salary, benefits and pension contribution in respect of the 12-month notice period and eligibility for annual bonus in respect of the period he has worked. He would also be eligible for a lump sum amount calculated as €908,800 plus interest on this amount accrued at the Euribor interest rate for the period since 1 January 2008.

Any share-based entitlements granted to an executive director under the Group's share plans will be determined based on the relevant plan rules. The default treatment is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, disability, retirement or other circumstances at the discretion of the committee (taking into account the individual's performance and the reasons for their departure) 'good leaver' status can be applied. For good leavers, vesting of BSP awards that are not subject to performance conditions is accelerated to as soon as practical after employment termination. LTIP awards remain subject to performance conditions (measured over the original time period) and are reduced pro-rata to reflect the proportion of the performance period actually served. The committee has the discretion to disapply the application of performance conditions and/or time pro-rating if it considers it appropriate to do so. However, it is envisaged that this would only be applied in exceptional circumstances. In determining whether an executive should be treated as a good leaver or not, the committee will take into account the performance of the individual and the reasons for their departure.

Notice periods for the executive directors who served during the period under review are as follows:

Executive director	Unexpired term/notice period
Peter Oswald	A fixed term expiring on 30 April 2022 but terminable at any time on 12 months' notice
David Hathorn	Terminable on 12 months' notice
Andrew King	Terminable on 12 months' notice

A director's service contract may be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination, on the occurrence of certain events such as gross misconduct.

Service contracts for new appointments

Normally, for any new executive director appointments, the Group's policy is that the service contracts should provide for one year's notice by either party. The contract would provide that, in the event of termination by the company, other than for 'cause', the executive would be eligible for:

- → payment of the base salary, pension contribution and benefits in respect of the unexpired portion of the 12-month notice period;
- → annual bonus only in respect of the period they have served, payable following the relevant performance year end and subject to the normal performance conditions for annual bonus; and
- → share-based awards they hold, subject to the plan rules, which include arrangements for pro-ration of LTIP awards and continued application of performance conditions.

The Group would seek to apply the principle of mitigation to the termination payment by, for example, making payments in instalments that can be reduced or ended if the former executive wishes to commence alternative employment during the payment period.

In exceptional circumstances, such as to secure for the Group the appointment of a highly talented and experienced executive in a market such as Germany or Austria where it is common for the most senior executives to have three-year or five-year fixed term contracts, the committee may need to offer a longer initial notice period that reduces progressively to one year over a set time period. In such exceptional circumstances, the committee would seek to ensure that any special contract provisions are not more generous than is absolutely necessary to secure the appointment of such a highly talented individual. The committee would also take account of the remuneration and contract features that the executive may be foregoing or relinquishing in order to join Mondi, in comparison with the overall remuneration package that Mondi is able to offer.

Directors' remuneration policy

Approach to remuneration for new executive director appointments

The remuneration package for a newly appointed executive director would be set in accordance with the terms of the Group's approved remuneration policy in force at the time of appointment. The variable remuneration for a new executive director would be determined in the same way as for existing executive directors, and would be subject to the maximum limits on variable pay referred to in the policy table on pages 116 and 117.

For an internal appointment, any legacy pay elements awarded in respect of the prior role would be allowed to pay out according to their terms.

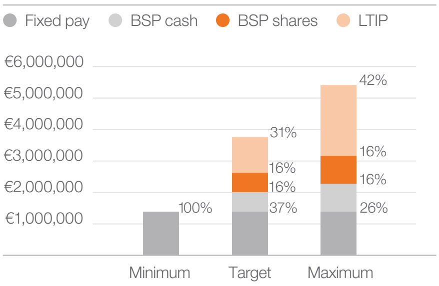
For internal and external appointments, the Group may meet certain relocation expenses, as appropriate.

For external appointments, the committee may also offer additional cash and/or share-based elements when it considers these to be in the best interests of Mondi and shareholders, to replace variable remuneration awards or arrangements that an individual has foregone in order to join the Group. This includes the use of awards made under section 9.4.2 of the UK Listing Rules. Any such payments would take account of the details of the remuneration foregone including the nature, vesting dates and any performance requirements attached to that remuneration.

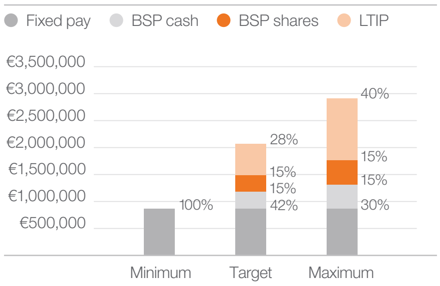
Remuneration scenarios at different performance levels[1,2]

The charts below illustrate the total potential remuneration for each executive director at three performance levels.

CEO



CFO



1 Assumptions:
Minimum = fixed pay only (salary + benefits + pension)
On-target = 70% vesting of the annual bonus and 50% for LTIP awards
Maximum = 100% vesting of the annual bonus and LTIP awards
Salary levels (on which other elements of the package are calculated) are based on those applying on 1 January 2018

2 Benefit values for the Chief Financial Officer exclude one-off costs associated with his relocation from South Africa to the UK and for both the Chief Executive Officer and the Chief Financial Officer benefit values exclude the costs of business travel and accommodation

Remuneration policy for non-executive directors

Element	Purpose and link to strategy	Operation	Maximum opportunity
Non-executive chairmen fees	To attract and retain high-calibre chairmen, with the necessary experience and skills. To provide fees which take account of the time commitment and responsibilities of the role.	The Joint Chairmen each receive an all-inclusive fee.	The Joint Chairmen's fees are reviewed periodically by the committee. While there is not a maximum fee level, fees are set by reference to market median data for companies of similar size and complexity to Mondi.
Other non-executive fees	To attract and retain high-calibre non-executives, with the necessary experience and skills. To provide fees which take account of the time commitment and responsibilities of the role.	The non-executives are paid a basic fee. Attendance fees are also paid to reflect the requirement for non-executive directors to attend meetings in various international locations. The chairmen of the main board committees and the senior independent director are paid additional fees to reflect their extra responsibilities.	Non-executive directors' fees are reviewed periodically by the Joint Chairmen and executive directors. While there is not a maximum fee level, fees are set by reference to market median data for companies of similar size and complexity to Mondi.

The Group may reimburse the reasonable expenses of board directors that relate to their duties on behalf of Mondi (including tax thereon if applicable). The Group may also provide advice and assistance with board directors' tax returns where these are impacted by the duties they undertake on behalf of Mondi.

All non-executive directors have letters of appointment with Mondi Limited and Mondi plc for an initial period of three years. In accordance with best practice, non-executive directors are subject to annual re-election at the Annual General Meetings. Appointments may be terminated by either party with six months' notice. No compensation is payable on termination, other than accrued fees and expenses.

Statement of consideration of employment conditions elsewhere in the Group

The Group's remuneration policy for the remuneration of executive directors and other senior executives is set taking appropriate account of remuneration and employment conditions of other colleagues in the Group.

The committee annually receives a report from management on pay practices across the Group, including salary levels and trends, collective bargaining outcomes and bonus participation. At the time that salary increases are considered the committee additionally receives a report on the approach management proposes to adopt for general staff increases. Both these reports are taken into account in the committee's decisions about the remuneration of executive directors and other senior executives.

The Group does not engage in formal consultation with employees on directors' remuneration policy. However, employees of the Group are encouraged to provide feedback on the Group's general employment policies. In some countries where the Group operates, more formal consultation arrangements with employee representatives are in place relating to employment terms and conditions, in accordance with local custom and practice. The Group also conducts periodic employee engagement surveys which gauge employees' satisfaction with their working conditions. The Mondi Boards are given feedback on these survey results.

Shareholder context

The committee considers the views of shareholders in its deliberations about the remuneration of executive directors and other senior executives, and consults directly with major shareholders when any material changes to policy are being considered.

In the event that either the remuneration policy or implementation resolutions receive a significant proportion of votes against, the committee will seek to further engage with shareholders to understand the reasons behind these votes and any particular concerns they may have.

Legacy arrangements

For the avoidance of doubt, in approving this policy report, authority is given to the Group to honour any commitments entered into with current or former directors that have been disclosed to shareholders in previous remuneration reports. Details of any payments to former directors will be set out in the annual report on remuneration as they arise.

Annual report on remuneration

2017 remuneration of directors

This table reports executive and non-executive directors' remuneration in accordance with UK reporting regulations applicable to financial reporting periods ending on or after 1 October 2013.

		Base salary/ NED fees[3]	Benefits	Pension contribution	Annual bonus including grant value of BSP award	Value of LTIP vesting in the performance year[5]	Value of LTIP vesting at date of grant[6]	Share price gain on vesting LTIP award between grant and vest dates[7]	Other[8]	Total
Peter Oswald[1]	2017	€1,016,194	€41,594	€254,801	€992,320	€1,144,412	€1,001,597	€142,815	€156,028	€3,605,349
	2016	€939,000	€40,634	€234,750	€785,380	€1,756,892	€1,163,507	€593,385	€174,288	€3,930,944
David Hathorn[2]	2017	€393,550	€22,040	€113,453	€359,166	—	—	—	€243,349	€1,131,558
	2016	€1,114,401	€48,959	€332,187	€1,146,190	€2,892,025	€1,948,184	€943,841	€253,196	€5,786,958
Andrew King[4]	2017	€643,405	€1,338,076	€160,851	€548,352	€899,495	€785,762	€113,733	€120,361	€3,710,540
	2016	€660,567	€39,787	€165,142	€551,440	€1,201,089	€809,104	€391,985	€106,965	€2,724,990
Fred Phaswana	2017	€326,590							€2,054	€328,644
	2016	€339,689							€2,198	€341,887
David Williams	2017	€326,590								€326,590
	2016	€339,689								€339,689
Tanya Fratto[9]	2017	€105,842								€105,842
	2016	–								—
Stephen Harris	2017	€108,896								€108,896
	2016	€107,973								€107,973
John Nicholas	2017	€107,384								€107,384
	2016	€104,528								€104,528
Dominique Reiniche	2017	€97,839							€2,054	€99,893
	2016	€102,058							€2,198	€104,256
Anne Quinn[10]	2017	€40,300								€40,300
	2016	€111,352								€111,352

1 For the period 1 January 2017 to 11 May 2017, as Chief Executive Officer Europe & International, Peter Oswald's maximum annual bonus was 135% of base salary and has been determined with reference to his base salary in that role. For the period from 12 May 2017 to 31 December 2017, his maximum annual bonus was 165% of base salary, which is the level the remuneration committee has already proposed to shareholders for the chief executive officer role for 2017

2 David Hathorn's remuneration for 2017 covers the period to his retirement from the Boards on 11 May 2017

3 David Hathorn's and Andrew King's salaries are denominated in pounds sterling and their 2017 salaries were £928,000 and £565,000 respectively. David Hathorn's is pro-rated to reflect that he stepped down from the Boards on 11 May 2017

The non-executive directors' fees are also denominated in pounds sterling. Euro amounts are reported based on exchange rates on the dates actual payments were made. Non-executive director fees were increased by circa 2% with effect from 11 May 2017 following the passing of a resolution at the Annual General Meetings of Mondi Limited and Mondi plc. See the table on page 127 for current fee levels

4 Mondi asked Andrew King to relocate to the UK from South Africa, to be based closer to the Group's principal centre of operations in Europe. In accordance with the DRP, Andrew was eligible for assistance with relocation expenses. These expenses, and the cost of the grossed-up income tax amount payable to HMRC, amounted to €1,299,029 of the benefits total for 2017. These expenses reflect the cost of stamp duty on the purchase of a UK property, estate agent's commission on disposal of the South African property, return flights for purpose of house-hunting, school search and orientation and packing and removal of household effects to the UK

5 For 2017, the three-year performance cycle of the 2015 LTIP award ended on 31 December 2017. The award value shown has been based on the average share price over the last three months of the performance cycle. For 2016, the three-year performance cycle of the 2014 LTIP award ended on 31 December 2016. The award value shown in the 2016 remuneration report was an estimate based on the average share price over the last three months of the performance cycle which was £16.06 for Mondi plc LTIP awards and ZAR276.73 for Mondi Limited LTIP awards. The actual award price on vesting was £18.67 for Mondi plc LTIP awards and ZAR 299.38 for Mondi Limited LTIP awards. The award values for 2016 have been restated on this basis

6 For 2017, the value is shown of the 2015 LTIP award made at the start of the three-year performance cycle, and for 2016, the value of the 2014 LTIP award made at the start of the three-year performance cycle

7 For 2017, the enhanced value is shown of the 2015 LTIP based on the share price gain between grant and the average share price over the last three months of the performance cycle. The value of Mondi plc's shares increased from £13.30 to £18.45, and the value of Mondi Limited shares from ZAR234.44 to ZAR333.46 during this time. For 2016, the enhanced value is shown of the 2014 LTIP that vested based on share price appreciation during the holding period. The value of Mondi plc's shares increased from £10.88 to £18.67, and the value of Mondi Limited shares from ZAR194.35 to ZAR299.37

8 Includes cash amounts of equivalent value to all dividends (including ordinary dividends and, where applicable, special dividends) on vested BSP and LTIP shares during the year. See table of share awards granted to executive directors on pages 130 and 131. Accommodation cost for some of Peter Oswald's business trips is, for reasons of UK tax regulation, subject to UK income tax, and is therefore required to be included in the disclosure. The figure for Peter Oswald in the 'Other' column includes €1,687 in respect of accommodation cost for this business travel and the cost of any grossed up income tax paid during the year. Accommodation costs in Vienna for Andrew King's business trips are, for reasons of Austrian and UK tax regulation, subject to income tax, and are therefore required to be included in the disclosure. The figure for Andrew King in the 'Other' column includes €15,973 in respect of accommodation costs for his business travel and the cost of any grossed up income tax paid during the year. For Fred Phaswana and Dominique Reiniche the taxable values of the UK tax returns are shown

9 Tanya Fratto's fees cover the period from her appointment on 1 January 2017

10 Anne Quinn's fees for 2017 cover the period to her retirement from the Boards on 11 May 2017

11 None of the executive directors have entitlements under a defined benefit pension scheme. No retrospective payments were made to past directors in respect of the period during which they served as directors and no payments were made to past directors for loss of office

Annual bonus

Approach to disclosure of bonus targets

Since its 2012 report, Mondi has disclosed the performance measures used for the annual bonus as well as outcomes against these measures.

In the 2015 and 2016 reports we went substantially further in providing details of the performance against safety objectives that were set for the year under review. In the case of executives' personal objectives we described the achievements of our executives against key focus areas, together with the ratings awarded to each executive.

In the case of financial performance, we provided retrospective disclosure of the financial bonus ranges and outcomes for the year prior to the year under review. We additionally provided outline disclosure of financial bonus outcomes for the year under review. The retrospective approach was adopted for reasons of commercial sensitivity. Few of Mondi's competitors are subject to the same disclosure obligations as Mondi and disclosure of the detailed financial bonus ranges for the year under review would place Mondi at a competitive disadvantage.

For its 2017 report Mondi has therefore again adopted this approach to bonus disclosure.

2017 bonus outcomes

For the annual bonus in respect of 2017 performance, the performance measures and achievement levels were:

	BSP performance measures				
	EBITDA	ROCE	Safety	Personal	Total
Weight	30	30	10	30	100
Outcomes:					
Peter Oswald	20.7	17.3	0	25	63
David Hathorn	20.7	17.3	0	25	63
Andrew King	20.7	17.3	0	25	63

Retrospective disclosure of 2016 financial bonus ranges

Financial performance was assessed against the EBITDA and ROCE ranges that were set for 2016. The 2016 ranges and outcomes were:

	EBITDA (€m)	Bonus outcome (points)	ROCE (%)	Bonus outcome (points)
Entry level	1,170	7.5	17.8%	7.5
Target	1,378	18.75	20.9%	18.75
Ceiling	1,585	30.0	24.0%	30.0
Outcome	1,366	18.1	20.3%	16.6

Full disclosure of the 2017 bonus ranges and outcomes will be included in the 2018 report.

Safety element of 2017 bonus

Five points of the 10-point safety element was payable on the achievement of total recordable case rate (TRCR) targets. If the achieved TRCR rate was 0.67 or better, then the entire 5 points would be earned. One point would be earned for a TRCR of 0.75, with straight-line interpolation for TRCR performance between 0.67 and 0.75. The other 5 points were payable if there were no fatalities within the Mondi Group. If there is one fatality then these 5 points are forfeited. If there are two fatalities during the year then the entire 10 points attributable to safety are forfeited.

Mondi continued to achieve an industry-leading TRCR performance. The TRCR that was achieved for 2017 was 0.60. As a result of the tragic and unacceptable fatalities of workers engaged in Mondi's operations as reported on page 45, no payment has been made under the safety element.

Annual report on remuneration

Personal objectives of executives for 2017 bonus

Key objectives and achievements

The executive directors share many key objectives and also have individual objectives that are specific to their roles. Key objectives, and achievements against these objectives during 2017, included:

Strategy development and execution	→ Successful start up of second phase of €260 million investment in Świecie → Initiated €335 million modernisation project at Štětí → Launched first stage of investment of €310 million in Ružomberok to rebuild the fibre line and set up a new kraft white top machine → Acquired Excelsior Technologies in the UK for €40 million → A large number of potential acquisitions considered
Organisational performance	→ Rationalisation continued: Industrial Bags network optimisation with three plant closures during the year, and Consumer Packaging restructuring including in Kutno in Poland → Continue to make good progress on cost management → Quality initiative to improve margins → Reorganisation of business units to reflect the underlying nature of the products produced, including merging of Uncoated Fine Paper and South Africa, excluding the containerboard operations, into a single business unit, and merging the containerboard operations of South Africa into Packaging Paper
Financial efficiency and financing	→ Moody's rating upgraded from Baa2 to Baa1 → Redemption of €500 million 5.75% 2017 Eurobond on maturity, significantly reducing financing costs → Ongoing work on tax optimisation and risk mitigation → Self-financing of major capital projects and acquisitions due to strong cash generation
Organisational structure and resourcing	→ Successful, smooth transition to new CEO → Several key appointments made during the year
Organisational culture	→ Safety focus on major risks continued. Continued improvement in TRCR → Management style and leadership assessed via 360° surveys
Stakeholder relationships	→ Hosted a well attended Capital Markets Day and site visit to Consumer Packaging operations in Gronau and Steinfeld in Germany → Extensive roadshows, individual meetings and phone calls with existing and potential shareholders → Government and NGO engagement on a wide variety of issues e.g. forestry, employees, communities and industry groups
The ratings of the three executive directors were:	Peter Oswald 25/30 David Hathorn 25/30 Andrew King 25/30

Detail of annual bonus awarded in the year

Name	Awarded in cash	Awarded in shares	Total
Peter Oswald[1]	€496,160	€496,160	€992,320
David Hathorn[2]	€359,166	NIL	€359,166
Andrew King	€274,176	€274,176	€548,352

1 For the period 1 January 2017 to 10 May 2017, as Chief Executive Officer Europe & International, Peter's maximum annual bonus was 135% of base salary and has been determined with reference to his base salary in that role. For the period from 11 May 2017 to 31 December 2017, his maximum annual bonus was 165% of base salary, which is the level the remuneration committee has already proposed to shareholders for the chief executive officer role for 2017

2 This reflects a pro-rated amount for the period on the Boards

Malus and clawback

Under Mondi's LTIP and BSP rules malus and clawback can be applied to awards made on or after 1 January 2011 if there has been a misstatement of financial results, or performance conditions that are relevant to the Plans, that had the effect that awards were larger than they would have been had such errors not been made. Malus and clawback may at the committee's discretion take the form of a demand for the participant to repay amounts to Mondi, a reduction of future bonus payments to the participant, and a reduction in the number of conditional share awards held by a participant. Malus and clawback apply to misstatement of results or miscalculation of relevant performance conditions. In the case of employment termination Mondi is able to cancel subsisting but unvested share awards, withhold payments that would otherwise be due to the participant, and where appropriate initiate legal proceedings to recover funds to which the Group is legally entitled.

The committee considered whether there were any circumstances in the year that would have required clawback and agreed that such circumstances did not exist.

Long-Term Incentive Plan (LTIP)

Vesting of the 2015 awards

The LTIP awards that were made in 2015, with a three-year performance period that ended on 31 December 2017, were reviewed by the committee in February against the (equally weighted) relative TSR and ROCE performance conditions.

The three-year ROCE that was achieved was 20.2% (20.5% in 2015, 20.3% in 2016 and 19.7% in 2017). As this exceeded the 10% to 16% ROCE target range for these awards, 100% of the shares attributable to the ROCE performance condition vested in March 2018.

Mondi plc achieved a TSR of 64%, and Mondi Limited 65.8%, over the performance period and Mondi's rank within the TSR peer group was 7th. This was above the median position required for vesting of 25% of the attributable shares, but below the upper quartile required for full vesting. Based on the performance calculation performed for the committee by New Bridge Street, 45% of the shares attributable to this element vested.

In overall terms, 72.5% of the 2015 LTIP shares under award therefore vested and the remainder lapsed. For Peter Oswald, this means that 55,035 of the 75,910 shares under award vested. For Andrew King, 30,222 of the 41,685 Mondi plc shares under award vested and 13,040 of the 17,985 Mondi Limited shares. No discretion was exercised by the committee in determining the vesting outcomes.

As shares vested on 8 March 2018, after the finalisation of this report, the average share price, and average exchange rates, over the last three months of the performance cycle were used to estimate the value for the purpose of the table on page 122. The average share price was £18.45 for the Mondi plc LTIP awards and ZAR333.46 for the Mondi Limited LTIP awards.

Awards granted in 2017

The maximum award that can be made to any LTIP participant in any year under the policy approved at the 2017 AGMs is equal to 225% of base salary. For 2017, the award made to Peter Oswald was 210% of base salary and the award made to Andrew King was 175% of base salary. The award made to David Hathorn was 185% of base salary in line with the previous year. As noted in last year's annual report on remuneration, this will be pro-rated down for time served in accordance with shareholder guidelines, at the date he retires, and remain subject to the normal performance conditions and vesting dates.

For the LTIP awards made in 2017, the performance conditions are based on two performance measures of equal weight – relative TSR and ROCE – measured over a three-year performance period ending on 31 December 2019. The committee believes that this combination of metrics provides an appropriate means of aligning the operation of the LTIP with shareholders' interests and the Group's business strategy.

The TSR performance condition is based on the Group's TSR relative to a group of competitor companies. Since the 2013 LTIP awards, the following companies were selected:

Amcor	Domtar	Huhtamaki (2017)[4]	MeadWestvaco[1]	Sappi	The Navigator Company[2]
Bemis	DSSmith	International Paper	Metsä Board	Smurfit Kappa	UPM
BillerudKorsnäs	Holmen	Mayr-Melnhof	RPC (2017)[4]	Stora Enso	WestRock[3]

1 MeadWestvaco was included in LTIP awards until its merger with Rock Tenn in 2015 when it was, in accordance with committee practice, removed from the peer group for all subsisting awards

2 Portucel Soporcel Group rebranded in February 2016 as The Navigator Company

3 WestRock, the company that was formed by the merger of MeadWestvaco and Rock Tenn, has been included in the peer group for 2016 and subsequent awards

4 As highlighted last year, Huhtamaki and RPC were added to the peer group for 2017 and subsequent awards

For the 50% of awards attributable to TSR: If the Group's TSR is below the median when ranked against the comparator group, this part of the award will lapse in full. For TSR at the median, 25% of this part of the award (i.e. 12.5% of the total award) will vest, with a straight-line progression to the upper quartile, at which point 100% of this part of the award (i.e. 50% of the total award) will vest.

For the 50% of awards attributable to ROCE: This part will lapse in full if ROCE is below 10%. 25% of this part of the award (i.e. 12.5% of the total award) will vest for achievement of ROCE of 10%, with a straight-line progression to full vesting of this part of the award for achievement of ROCE of 18% (i.e. 50% of the total award).

For the 2018 awards, the peer group remains unchanged from 2017.

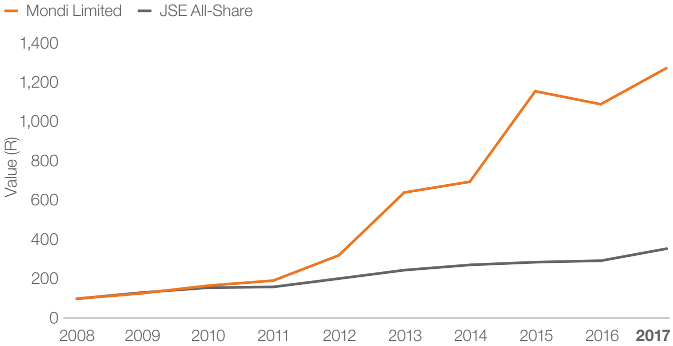
Annual report on remuneration

Mondi's TSR performance over the last nine years

The following graphs set out the comparative TSR of Mondi Limited relative to the JSE All-Share Index, and Mondi plc relative to the FTSE All-Share Index, for the period between 31 December 2008 and 31 December 2017. Those indices were chosen because they are broad equity market indices of which Mondi Limited and Mondi plc, respectively, are members.

JSE All-Share Index

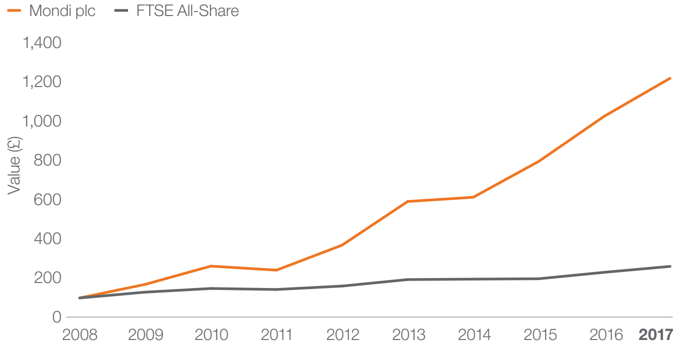
Total shareholder return
Source: Thomson Reuters (Datastream)



This graph shows the value, by 31 December 2017 of R100 invested in Mondi Limited on 31 December 2008 compared with the value of R100 invested in the JSE All-Share Index. The other points plotted are the values at intervening financial year ends.

FTSE All-Share Index

Total shareholder return
Source: Thomson Reuters (Datastream)



This graph shows the value, by 31 December 2017 of £100 invested in Mondi plc on 31 December 2008 compared with the value of £100 invested in the FTSE All-Share Index. The other points plotted are the values at intervening financial year ends.

CEO remuneration from 2009

Year	Total remuneration	% of maximum bonus earned	% of LTI vested
2017	€3,845,557[1]	63	72.5
2016	€5,786,958[2]	68.7	92.5
2015	€7,013,835	89.6	100
2014	€7,763,908	91.6	100
2013	€5,900,140	73	100
2012	€6,305,794	80	100
2011	€12,824,112[3]	78	92
2010	€3,160,318	89	33
2009	€2,627,196	83	12

1 For 2017 the CEO remuneration reflects David Hathorn's remuneration up to his retirement from the Boards on 11 May 2017, including the pro-rata CEO annual bonus, and Peter Oswald's base salary, pension, benefits and pro-rata CEO annual bonus, as well as the 2015 LTIP vesting amount, with effect from 11 May 2017

2 In 2016, the three-year performance cycle of the 2014 LTIP award ended on 31 December 2016. The award value shown in the 2016 Remuneration report was an estimate based on the average share price over the last three months of the performance cycle which was £16.06 for Mondi plc LTIP awards and ZAR276.73 for Mondi Limited LTIP awards. The actual share price on vesting was £18.67 for Mondi plc LTIP awards and ZAR299.38 for Mondi Limited LTIP awards. The total remuneration for 2016 has been restated on this basis

3 David Hathorn's remuneration in 2011 included €3.9 million from the proceeds of a one-off, shareholder approved, share award under a Co-Investment Plan he participated in at the time of the Group's demerger from Anglo American plc in 2007. Under this plan, he invested £1 million from his own funds in Mondi plc shares in August 2007. He was eligible to receive a match of up to 250% of the number of investment shares based on a relative TSR performance measure over a four-year period. As the TSR achieved by Mondi plc was better than the upper quintile – Mondi was the top-performing company in the comparator group – the committee approved the maximum vesting in accordance with the Plan rules

Comparison of 2017 and 2016 remuneration of CEO with other employees

	Percentage change in remuneration elements from 2016 to 2017		
	Salary	Benefits	Bonus
CEO[1]	2.7%	6.7%	-0.9%
Mondi Group[2]	2.7%	N/A[3]	-3.8%[4]

1 CEO remuneration is reported in euros, but denominated in pounds sterling for David Hathorn. See the table on page 122. Change percentages shown are for pounds sterling values. For 2017 the CEO remuneration reflects David Hathorn's remuneration up to his leaving the Boards on 11 May 2017, and Peter Oswald's base salary, pension, benefits and pro-rata CEO annual bonus remuneration thereafter

2 Includes salaries and bonuses (where applicable) for all employees of Mondi Group excluding the CEO with year-on-year movements reported in per capita terms

3 In most of the Group the majority of benefits are provided through social security. Additional benefits represent less than 5% of the salary bill

4 Aggregate bonuses paid during 2017 are compared with those paid in 2016. This includes annual bonuses that are paid in arrears and periodic bonuses that are paid more frequently. Each year's numbers therefore include some payments attributable to that year and some that reflect performance in the previous year. Bonuses are often based on specific objectives that are set at the level of local operations that do not necessarily correlate with Group-wide metrics that underpin the CEO's bonus

Relative importance of spend on pay

€ million	2017	2016	% change
Dividends	273	274	-0.4%
Overall remuneration expenditure[1]	1,053	996	5.4%

1 Remuneration expenditure for all Mondi Group employees

Non-executive directors' remuneration

Current fee levels are as follows:

Role	Annual fee[2]
Joint chairman fee[1]	£289,300
Non-executive base fee	£46,200
Additional fees:	
Senior independent director and DLC remuneration committee chairman fee	£17,360
DLC remuneration committee chairman fee	£11,000
Supplement for Senior Independent Director role if held by a non-executive director who already chairs a committee	£6,000
DLC audit committee chairman fee	£11,550
DLC sustainable development committee chairman fee	£9,230
Mondi Limited social and ethics committee chairman fee	£9,230
Attendance fee per meeting (outside country of residence)	£5,780
Attendance fee per day (inside country of residence)	£1,730

1 No supplement is payable for additional commitments in relation to this role

2 Fees are determined in pounds sterling. In the remuneration table on page 122, euro amounts are reported based on exchange rates on the dates actual payments were made

The joint chairmen and the other non-executive directors are appointed by Mondi Limited and Mondi plc. The terms of their appointment provide for the appointment to be terminable on six months' notice.

Annual report on remuneration

Statement of directors' shareholdings and share interests

Until the Annual General Meetings in May 2017, the CEO was required to achieve and maintain a shareholding equivalent to 150% of base salary, and other executive directors a shareholding of at least 100% of base salary. As at 31 December 2016, all executive directors were compliant under this policy. From the AGMs in 2017, the requirement is for all executive directors to build a holding of 200% of base salary, normally within a period of not more than five years from joining the Boards. Previously compliant directors whose shareholdings do not meet the minimum requirements on 1 January of any year are normally required to achieve compliance by 31 December of the same year. Under these increased shareholding requirements, Peter Oswald was compliant at 31 December 2017. Andrew King's shareholding requirement doubled from 100% of salary to 200% at the AGMs in 2017 and as at 31 December 2017 he was well on his way to achieving this new, much enhanced requirement, with a holding of 191% of his salary.

Further conditional shares under Mondi's share plans (BSP and LTIP) will vest in March 2018 and executive directors will further increase their holdings at this time.

The beneficial and non-beneficial share interests of the directors and their connected persons as at 1 January 2017 or, if later, on appointment, and as at 31 December 2017, or as at their date of resignation if earlier, were as follows:

Executive directors

	Shareholding at 1 Jan 2017	Shareholding at 31 Dec 2017	Total shareholding as multiple of salary (%)	Deferred BSP shares outstanding at 31 Dec 2017[1]	Deferred BSP shares as multiple of salary (%)	Deferred LTIP shares outstanding at 31 Dec 2017[2]	Deferred LTIP shares as multiple of salary (%)
Peter Oswald							
Mondi plc	100,000	154,872	299%	75,017	145%	261,538	505%
David Hathorn							
Mondi plc	128,969	128,969 as at resignation		81,515		242,606	
Mondi Limited	—	—		35,141		104,540	
Total	128,969	128,969 as at resignation	274%	116,656	248%	347,146	738%
Andrew King							
Mondi plc	78,330	60,000		39,190		122,601	
Mondi Limited	208	208		16,895		52,813	
Total	78,538	60,208	191%	56,085	178%	175,414	556%

1 BSP shares subject to service condition
2 LTIP shares subject to service and performance conditions

Non-executive directors	Shareholding at 1 Jan 2017	Shareholding at 31 Dec 2017
Mondi plc		
Fred Phaswana	5,366	5,482
David Williams	5,000	5,000
Stephen Harris	1,000	1,000
Tanya Fratto	—	1,000
John Nicholas	6,000	6,000
Anne Quinn	11,882	11,882 as at resignation
Dominique Reiniche	1,000	1,000

There has been no change in the interests of the directors and their connected persons between 31 December 2017 and the date of this report.

Remuneration committee governance

The DLC remuneration committee

The DLC remuneration committee is a formal committee of the Boards. Its remit is set out in terms of reference adopted by the Boards. A copy of the terms of reference is available on the Group's website at www.mondigroup.com. The committee's performance against these terms of reference is reviewed on an annual basis and the committee is satisfied that it has acted in accordance with its terms of reference during the year.

The primary purposes of the committee, as set out in its terms of reference, are:

→ to make recommendations to the Boards on the Group's framework of executive remuneration;

→ to determine individual remuneration packages within that framework for the executive directors and certain senior executives;

→ to determine the remuneration of the joint chairmen; and

→ to oversee the operation of the Group's share schemes.

Composition

Members throughout the year:	Committee member since:	Meeting attendance (five meetings in the year):
Tanya Fratto, chairman	January 2017	5
Stephen Harris	March 2011	5
Anne Quinn, chairman[1]	May 2007	3
Dominique Reiniche[2]	October 2015	4
David Williams	May 2007	5

1 Anne Quinn was chairman of the committee up to her retirement from the Boards in May 2017. Anne attended all meetings up to the date of her departure

2 Dominique Reiniche was unable to attend one meeting due to an unavoidable prior commitment

Other regular attendees

→ Chief Executive Officer

→ Joint Chairman who is not a member of the committee (Fred Phaswana)

→ Group Head of Reward

→ External remuneration consultant

The committee is authorised to seek information from any director and employee of the Group and to obtain external advice. The committee is solely responsible for the appointment of external remuneration advisers and for the approval of their fees and other terms. No director or other attendee takes part in any discussion regarding his or her personal remuneration.

In the year to 31 December 2017, New Bridge Street (NBS) provided remuneration advice and benchmarking data to the committee. NBS do not undertake any other work for the Group. NBS is appointed by the committee, and is a signatory to The Code of Conduct of the Remuneration Consultants Group, which requires the advice NBS provides to be objective and impartial. Total fees paid to NBS in respect of the year under review were £87,877.

Sums paid to third parties in respect of a director's services

No consideration was paid or became receivable by third parties for making available the services of any person as a director of Mondi Limited or Mondi plc ('the Companies'), or while a director of the Companies, as a director of any of the Companies' subsidiary undertakings, or as a director of any other undertaking of which he/she was (while a director of the Companies) a director by virtue of the Companies' nomination, or otherwise in connection with the management of the Companies or any undertaking during the year to 31 December 2017.

Annual report on remuneration

Share awards granted to executive directors

The following tables set out the share awards granted to the executive directors.

Mondi Limited

	Type of award[1]	Awards held at beginning of year or on appointment to the Boards	Awards granted during year	Shares lapsed	Awards exercised during year	Award price basis (ZAc)	Date of award	Awards held as at 31 December 2017	Release date
David Hathorn	BSP	12,883			12,883	19435	Mar 14		Mar 17
	BSP	13,542				23444	Mar 15	13,542	Mar 18
	BSP	14,100				28200	Mar 16	14,100	Mar 19
	BSP		7,499			30352	Mar 17	7,499	Mar 20
	LTIP	44,723		3,354	41,369	19435	Mar 14		Mar 17
	LTIP	37,516				23444	Mar 15	37,516	Mar 18
	LTIP	39,598				28200	Mar 16	39,598	Mar 19
	LTIP		27,426			30352	Mar 17	27,426	Mar 20
Andrew King	BSP	6,091			6,091	19435	Mar 14		Mar 17
	BSP	6,543				23444	Mar 15	6,543	Mar 18
	BSP	6,744				28200	Mar 16	6,744	Mar 19
	BSP		3,608			30352	Mar 17	3,608	Mar 20
	LTIP	18,574		1,393	17,181	19435	Mar 14		Mar 17
	LTIP	17,985				23444	Mar 15	17,985	Mar 18
	LTIP	19,032				28200	Mar 16	19,032	Mar 19
	LTIP		15,796			30352	May 17	15,796	Mar 20

1 For note 1 please refer to the table on page 31

Mondi plc

	Type of award[1]	Awards held at beginning of year or on appointment to the Boards	Awards granted during year	Shares lapsed	Awards exercised during year	Award price basis (GBp)	Date of award	Awards held as at 31 December 2017	Release date
Peter Oswald	BSP	29,293			29,293	1088	Mar 14		Mar 17
	BSP	27,029				1330	Mar 15	27,029	Mar 18
	BSP	30,258				1288	Mar 16	30,258	Mar 19
	BSP		17,730			1876	Mar 17	17,730	Mar 20
	LTIP	88,147		6,611	81,536	1088	Mar 14		Mar 17
	LTIP	75,910				1330	Mar 15	75,910	Mar 18
	LTIP	86,073				1288	Mar 16	86,073	Mar 19
	LTIP		99,555			1876	May 17	99,555	Mar 20
David Hathorn	BSP	29,760			29,760	1088	Mar 14		Mar 17
	BSP	31,386				1330	Mar 15	31,386	Mar 18
	BSP	32,614				1288	Mar 16	32,614	Mar 19
	BSP		17,515			1876	Mar 17	17,515	Mar 20
	LTIP	103,315		7,748	95,567	1088	Mar 14		Mar 17
	LTIP	86,950				1330	Mar 15	86,950	Mar 18
	LTIP	91,596				1288	Mar 16	91,596	Mar 19
	LTIP		64,060			1876	Mar 17	64,060	Mar 20
Andrew King	BSP	14,071			14,071	1088	Mar 14		Mar 17
	BSP	15,164				1330	Mar 15	15,164	Mar 18
	BSP	15,599				1288	Mar 16	15,599	Mar 19
	BSP		8,427			1876	Mar 17	8,427	Mar 20
	LTIP	42,908		3,218	39,690	1088	Mar 14		Mar 17
	LTIP	41,685				1330	Mar 15	41,685	Mar 18
	LTIP	44,022				1288	Mar 16	44,022	Mar 19
	LTIP		36,894			1876	May 17	36,894	Mar 20

1 The value on award of the BSP awards set out in this table is included in the table of executive directors' remuneration on page 122. The LTIP performance measures for the awards made in 2017 as set out in this table are detailed on page 125 of this report. The face values of the 2017 LTIP awards made were:

Peter Oswald	Mondi plc: £1,867,652
David Hathorn	Mondi plc: £1,201,766. Mondi Limited: ZAR8,324,340
Andrew King	Mondi plc: £692,131. Mondi Limited: ZAR4,794,402

2 In addition to the number of shares that vested as shown in the table above in respect of the BSP and in respect of the LTIP awards that vested in 2017, the executive directors also received the following cash amounts of equivalent value to dividends on vested shares over the vesting period, in accordance with the plan rules:

Name	Amount
David Hathorn	€243,348.85 (£210,711)
Peter Oswald	€154,340.46
Andrew King	€104,387.94 (£90,388)

Annual report on remuneration

All-employee share plans

The Group currently operates one HM Revenue & Customs approved all-employee share plan in the UK:

Share Incentive Plan (SIP)

Employees resident in the UK are eligible to participate in the SIP. Contributions of up to £150 are taken from participants' gross salary and used to purchase ordinary shares in Mondi plc each month. Participants receive one matching Mondi plc ordinary share free of charge for each share purchased. The shares are placed in trust and the matching shares are forfeited if participants resign from the Group's employment within three years. If the shares are left in trust for at least five years, they can be removed free of UK income tax and National Insurance contributions.

SIP

	Shares held at beginning of year or on appointment to the Boards	Partnership shares acquired during the year	Matching shares awarded during the year	Shares released during year	Total shares held as at 31 December 2017
David Hathorn[1]	4,942	40	40	—	5,022
Andrew King[2]	5,386	94	94	—	5,574

1 SIP shares shown are those purchased for David Hathorn until the May 2017 purchase

2 Since 1 January 2018 up to the date of this report Andrew King acquired 16 partnership shares and was awarded 16 matching shares

Mondi Limited and Mondi plc share prices

The closing price of a Mondi Limited ordinary share on the JSE Limited on 31 December 2017 was ZAR319.27 and the range during the period between 1 January 2017 and 31 December 2017 was ZAR273.30 (low) and ZAR383.00 (high).

The closing price of a Mondi plc ordinary share on the London Stock Exchange on 31 December 2017 was £19.31 and the range during the period between 1 January 2017 and 31 December 2017 was £16.47 (low) to £21.30 (high).

Statement of voting at Annual General Meetings

The Annual General Meetings of Mondi Limited and Mondi plc were both held on 11 May 2017. As required by the dual listed company structure, all resolutions were treated as joint electorate actions and were decided on a poll. All resolutions at both meetings were passed. The voting results of the joint electorate actions are identical and are given below. Overall in excess of 76% of the total Group shares were voted.

Resolution	Votes for	%	Votes against	%	Votes total	Votes withheld
Mondi Limited business						
13. To endorse the remuneration policy	350,978,897	95.09	18,136,071	4.91	369,114,968	1,978,635
14. To authorise a maximum increase of 2.1% in non executive director fees[1]	370,597,620	99.96	143,150	0.04	370,740,770	352,833
Mondi plc business						
24. To approve the remuneration policy	350,932,350	95.57	16,263,381	4.43	367,195,731	3,898,672
25. To approve the remuneration report (other than the policy)	362,028,426	98.92	3,967,572	1.08	365,995,998	5,098,405

1 Special resolution

Statement of implementation of directors' remuneration policy in 2018

Current salary levels, and increases awarded in January 2018, are as follows:

Name	Base salary effective 1 Jan 2018	Previous base salary	% change
Peter Oswald	€1,076,000	€1,050,000	2.5
Andrew King	£579,000	£565,000	2.5

The executive directors' base salaries were reviewed at the normal 1 January 2018 review date. Peter Oswald's (Group Chief Executive Officer) and Andrew King's (Group Chief Financial Officer) salaries were increased by 2.5%, which is less than the average percentage increase for Mondi's wider workforce.

Bonus and LTIP structure for 2018

Half of any bonus earned in respect of 2017 performance will be paid out in cash and the other half will be deferred for three years in conditional Mondi shares. The bonus structure for 2018 is being modified in response to market trends and feedback received from shareholders. A maximum of 70 points (against 60 previously) will be attributable to financial performance (35 on EBITDA and 35 on ROCE). The portion that is payable on personal objectives will reduce correspondingly from 30 points to 20. Safety will continue to contribute 10 points to the bonus.

LTIP awards that are made in 2018 will continue to have two performance conditions of equal weight – TSR and ROCE, measured over a three-year performance period commencing on 1 January 2018.

For the 50% of the awards attributable to TSR: If the Group's TSR is below the median when ranked against the comparator group on page 125, this part of the award will lapse in full. For TSR at the median, 25% of this part of the award (i.e. 12.5% of the total award) will vest, with a straight-line progression to the upper quartile, at which point 100% of this part of the award (i.e. 50% of the total award) will vest.

For the 50% of the awards attributable to ROCE: This part will lapse in full if ROCE is below 10%. 25% of this part of the award (i.e. 12.5% of the total award) will vest for achievement of ROCE of 10%, with a straight-line progression to full vesting of this part of the award for achievement of ROCE of 18% (i.e. 50% of the total award).

Non-executive directors' fees

Current non-executive directors' fees, and increases proposed for implementation with effect from the date of the Annual General Meetings of Mondi Limited and Mondi plc to be held on 16 May 2018 are shown in the table below. Increases of 2.5% are proposed, together with structural changes that serve to rationalise the fee structure and contain costs. It is presently anticipated that the DLC sustainable development committee and the Mondi Limited social and ethics committee will always be chaired by the same person. The additional committee fee for this combined role will be set at £11,270, against the current £18,460. Additionally, a fee of £11,270 is proposed for the senior independent director where the incumbent does not chair a committee.

Role	Annual fee	Proposed with effect from 16 May 2018	Percentage increase proposed
Joint chairman fee[1]	£289,300	£296,500	2.5
Non-executive base fee	£46,200	£47,350	2.5
Additional fees:			
Supplement for DLC audit committee chairman	£11,550	£11,840	2.5
Supplement for DLC remuneration committee chairman	£11,000	£11,270	2.5
Combined supplement for DLC sustainable development committee & Mondi Limited social & ethics committee chairman	N/A	£11,270	N/A
Supplement for DLC sustainable development committee chairman	£9,230	N/A	N/A
Supplement for Mondi Limited social and ethics committee chairman	£9,230	N/A	N/A
Supplement for senior independent director	N/A	£11,270	N/A
Supplement for senior independent director role if held by a non-executive who already chairs a committee	£6,000	£6,150	2.5
Attendance fee per meeting (outside country of residence)	£5,780	£5,920	2.4
Attendance fee per day (inside country of residence)	£1,730	£1,770	2.3

1 No supplement is payable for additional commitments in relation to this role

This report was approved by the Boards on 1 March 2018 and is signed on their behalf.

Tanya Fratto
Chairman of the DLC remuneration committee

Other statutory information

For the purposes of the UK Companies Act, the disclosures below, including those incorporated by reference, together with the Corporate governance report set out on pages 78 to 112, form the Directors' report.

In addition, disclosures relating to the following items, which also form part of the Directors' report, have been included in the Strategic report which can be found on pages 12 to 77:

→ Dividends
→ Financial risk management objectives and policies
→ Principal risks
→ Likely future developments in the business
→ Research and development activities
→ Greenhouse gas (GHG) emissions
→ Employees

Information required to be disclosed under UK Listing Rule 9.8.4 R

The UK Listing Authority listing rules require the disclosure of certain specified information in the annual financial report of Mondi plc.

The information required under rule 9.8.4 (1) in relation to interest capitalised and related tax relief can be found on page 165. The information required under rules 9.8.4 (12) and (13) in relation to dividend waivers can be found on page 174. This information is incorporated by reference into this Directors' report.

Besides the above, the information required to be disclosed under rule 9.8.4 R is not applicable to Mondi plc and therefore no disclosures have been made in this regard.

Share capital

Full details of the Group's share capital can be found in note 20 to the financial statements.

Substantial interests

Mondi Limited

Based on the Mondi Limited share register as at 31 December 2017, the directors are aware of the following shareholders holding directly 5% or more of the issued share capital of Mondi Limited:

Shareholder	Shares	%
Government Employees Pension Fund (Public Investment Corporation Limited)	13,794,691	11.66

Save as indicated above, the directors have not been advised of and have no certainty whether any of the shareholders could be beneficially interested in 5% or more of the issued share capital of Mondi Limited.

Mondi plc

As at 31 December 2017, the Group had received notifications from the following parties in the voting rights of Mondi plc. The number of voting rights and percentage interests shown are as disclosed at the date on which the holding was notified.

Shareholder	Number of voting rights	%
Public Investment Corporation Limited	21,970,591	5.98
BlackRock, Inc	21,530,677	5.86
Investec Asset Management Limited	18,352,708	4.99
AXA S.A.	17,210,471	4.69
Standard Life Investments Limited	16,476,021	4.49
Norges Bank	14,424,171	3.93
Old Mutual Plc	11,978,984	3.26
Coronation Asset Management Proprietary Limited	11,543,844	3.14
Sanlam Investment Management Proprietary Limited	10,936,128	3.00

The following changes in interests have been notified between 1 January 2018 and the date of this report:

Date	Shareholder	Number of voting rights	%
18 January 2018	Coronation Asset Management Proprietary Limited	14,831,314	4.04
5 February 2018	Public Investment Corporation Limited	18,120,339	4.93

Additional information for Mondi plc shareholders

The information for Mondi plc shareholders required pursuant to the UK Companies Act can be found on pages 217 to 219 of this report.

Political donations

No political donations were made during 2017 and it is Mondi's policy not to make such donations.

Auditors

Each of the directors of Mondi Limited and Mondi plc at the date when this report was approved confirms that:

→ so far as each of the directors is aware, there is no relevant audit information of which the Group's auditors are unaware; and

→ each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

PricewaterhouseCoopers Inc and PricewaterhouseCoopers LLP (together 'PwC') have indicated their willingness to continue as auditors of Mondi Limited and Mondi plc respectively. The Boards have decided that resolutions to reappoint them will be proposed at the Annual General Meetings of Mondi Limited and Mondi plc scheduled to be held on 16 May 2018.

The reappointment of PwC has the support of the DLC audit committee, which will be responsible for determining their audit fee on behalf of the directors (see page 103 for more information).

Note 4 to the financial statements sets out the auditors' fees both for audit and non-audit work.

Events occurring after 31 December 2017

With the exception of the proposed final ordinary and special dividends for 2017, included in note 9 to the financial statements, and the signing on 22 February 2018 of a new €600 million one year multicurrency revolving credit facility, there have been no material reportable events since 31 December 2017.

Annual General Meetings

The Annual General Meeting of Mondi Limited will be held at 11:30 (SA time) on Wednesday 16 May 2018 at the Hyatt Regency, 191 Oxford Road, Rosebank, Johannesburg 2132, Republic of South Africa and the Annual General Meeting of Mondi plc will be held at 10:30 (UK time) on Wednesday 16 May 2018 at Haberdashers' Hall, 18 West Smithfield, London EC1A 9HQ, UK. The notices convening each meeting, which are sent separately to shareholders, detail the business to be considered and include explanatory notes for each resolution. The notices are available on the Mondi Group website at: www.mondigroup.com.

This Directors' report was approved by the Boards on 1 March 2018 and is signed on their behalf.

Philip Laubscher
Company Secretary

Mondi Limited
4th Floor, No. 3 Melrose Boulevard
Melrose Arch 2196
PostNet Suite #444
Private Bag X1
Melrose Arch 2076
Gauteng
Republic of South Africa

Registration No. 1967/013038/06

1 March 2018

Jenny Hampshire
Company Secretary

Mondi plc
Building 1, 1st Floor
Aviator Park
Station Road
Addlestone
Surrey
KT15 2PG

Registered No. 6209386

1 March 2018

Financial statements

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Financial statements

Directors' responsibility statement

The directors are responsible for preparing the Integrated report, Remuneration report and Financial statements in accordance with applicable laws and regulations.

South African and UK company law require the directors to prepare financial statements for each financial year.

→ Under the Companies Act of South Africa 2008, the directors are required to prepare financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Act for each financial year, giving a true and fair view of the Mondi Limited parent company's and the Group's state of affairs at the end of the year and profit or loss for the year.

→ Under the UK Companies Act 2006, the directors are required to prepare the Group financial statements in accordance with IFRS as adopted by the European Union (EU) and Article 4 of the IAS Regulation, and have elected to prepare the Mondi plc parent company financial statements in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). Furthermore, under UK company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Group's financial statements and the Mondi Limited parent company financial statements, International Accounting Standard 1, 'Presentation of Financial Statements', requires that the directors:

→ properly select and apply accounting policies;

→ present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

→ provide additional disclosure when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and

→ make an assessment of the Group's and Company's ability to continue as a going concern.

In preparing the Mondi plc parent company financial statements, the directors are required to:

→ select suitable accounting policies and then apply them consistently;

→ make judgements and accounting estimates that are reasonable and prudent;

→ state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and

→ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and parent companies' transactions; disclose with reasonable accuracy, at any time, the financial position of the Group and parent companies; and enable them to ensure that the financial statements comply with the requirements of the Companies Act of South Africa 2008 and the UK Companies Act 2006 respectively. They are also responsible for safeguarding the assets of the Group and parent companies and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report on the financial statements

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 Boards confirm that to the best of their knowledge:

→ the financial statements of the Group and Mondi Limited, prepared in accordance with IFRS and, in respect of the Group financial statements only, also IFRS as adopted by the EU, and Mondi plc, prepared in accordance with FRS 101, give a true and fair view of the assets, liabilities, financial position and profit or loss of Mondi Limited, Mondi plc and the undertakings included in the consolidation taken as a whole;

→ the Strategic report includes a fair review of the development and performance of the business and the position of Mondi Limited, Mondi plc and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and

→ 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.

The Group's combined and consolidated financial statements, and related notes 1 to 33, 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

Independent auditors' report of PricewaterhouseCoopers LLP to the members of Mondi plc and of PricewaterhouseCoopers Inc. to the shareholders of Mondi Limited

Mondi plc and Mondi Limited operate under a dual listed company structure as a single economic entity. The "Group" consists of Mondi plc, Mondi Limited and their respective subsidiaries. The Group financial statements combine and consolidate the financial statements of the Group and include the Group's share of joint arrangements and associates.

PricewaterhouseCoopers LLP is the appointed auditor of Mondi plc, a company incorporated in the United Kingdom in terms of the United Kingdom Companies Act 2006. PricewaterhouseCoopers Inc. is the appointed auditor of Mondi Limited, a company incorporated in South Africa in terms of the Companies Act of South Africa. PricewaterhouseCoopers LLP and PricewaterhouseCoopers Inc. (each separately the "Group engagement team") audited the financial statements of the Group.

PricewaterhouseCoopers LLP audited the Group financial statements and Mondi plc parent company financial statements for the year ended 31 December 2017.

PricewaterhouseCoopers Inc. audited the Group financial statements for the year ended 31 December 2017.

For the purpose of this report, the terms "we" and "our" denote PricewaterhouseCoopers LLP in relation to UK legal, professional and regulatory responsibilities and reporting obligations to the members of Mondi plc and PricewaterhouseCoopers Inc. in relation to South African legal, professional and regulatory responsibilities and reporting obligations to the shareholders of Mondi Limited. For the purposes of the "Our audit approach" section of this report, "we" and "our" refer to the Group engagement team, except for the purposes of the table on pages 142 to 144 that sets out the key audit matters and how our audit addressed the key audit matters, where the terms "we" and "our" refer to PricewaterhouseCoopers LLP and/or PricewaterhouseCoopers Inc. and/or our component teams.

Report on the audit of the financial statements

Opinion

Opinion of PricewaterhouseCoopers LLP on the financial statements to the members of Mondi plc

In our opinion:

→ the financial statements, defined below, give a true and fair view of the state of the Group's and of Mondi plc parent company's affairs as at 31 December 2017 and of the Group's profit and cash flows for the year then ended;

→ the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;

→ the Mondi plc parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and

→ the financial statements have been prepared in accordance with the requirements of the UK Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Our opinion is consistent with our reporting to the Audit Committee.

Separate opinion of PricewaterhouseCoopers LLP in relation to the Group financial statements prepared in accordance with IFRSs as issued by the International Accounting Standards Board ("IASB")

As explained in note 1 to the Group financial statements, the Group, in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the IASB.

In our opinion, the Group financial statements have been properly prepared in accordance with IFRSs as issued by the IASB.

Opinion of PricewaterhouseCoopers Inc. on the Group financial statements to the shareholders of Mondi Limited

In our opinion, the Group financial statements present fairly, in all material respects, the combined and consolidated financial position of the Group as at 31 December 2017, and its combined and consolidated financial performance and its combined and consolidated cash flows for the year then ended in accordance with IFRSs as issued by the IASB and the provisions of the Companies Act of South Africa.

What we have audited

PricewaterhouseCoopers LLP and PricewaterhouseCoopers Inc. have audited the Group financial statements set out on pages 150 to 202 of the Mondi Group Integrated report and financial statements 2017 (the "Integrated Report"), which comprise:

→ the combined and consolidated statement of financial position as at 31 December 2017;

→ the combined and consolidated income statement for the year then ended;

→ the combined and consolidated statement of comprehensive income for the year then ended;

→ the combined and consolidated statement of changes in equity for the year then ended;

→ the combined and consolidated statement of cash flows for the year then ended; and

→ the notes to the combined and consolidated financial statements, which include a summary of the significant accounting policies.

PricewaterhouseCoopers LLP has audited the Mondi plc parent company financial statements set out on pages 207 to 213 of the Integrated Report, which comprise:

→ the Mondi plc parent company balance sheet as at 31 December 2017;

→ the Mondi plc parent company statement of changes in equity for the year then ended; and

→ the notes to the Mondi plc parent company financial statements, which include a summary of the significant accounting policies.

The Group financial statements and the Mondi plc parent company financial statements are referred to in this report as the "financial statements".

Basis for opinion

PricewaterhouseCoopers LLP conducted their audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. PricewaterhouseCoopers Inc. conducted their audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under ISAs and ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Independence

PricewaterhouseCoopers LLP remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or Mondi plc. Other than those disclosed in note 4 to the Group financial statements, we have provided no non-audit services to the Group or Mondi plc in the period from 1 January 2017 to 31 December 2017.

PricewaterhouseCoopers Inc. is independent of the Group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

Our audit approach

Overview

Overall Group materiality: €45 million, based on 5% of profit before tax adjusted for special items. Overall Mondi plc parent company materiality: €30 million, based on 1% of total assets.

We identified one component as a significant component which required an audit of its complete financial information due to its financial significance to the Group and a further 9 components where we have concluded that the component engagement leader is a Key Audit Partner (as defined under ISAs (UK)). These 10 components are located in Austria, the Czech Republic, Germany, Poland, Russia, Slovakia and South Africa.

We obtained full scope audit reporting from an additional 18 components, including operating units and treasury operations. Specified audit procedures on certain balances and transactions were performed at a further 26 components.

We assessed the risks of material misstatement in the Group financial statements and determined the following key audit matters for 2017:

→ Impairment of goodwill and property, plant and equipment;

→ Taxation;

→ Capitalisation of property, plant and equipment; and

→ Valuation of forestry assets.

No key audit matters specific to the Mondi plc parent company financial statements were identified.

Independent auditors' report of PricewaterhouseCoopers LLP to the members of Mondi plc and of PricewaterhouseCoopers Inc. to the shareholders of Mondi Limited

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We designed audit procedures that focused on the risk that non-compliance with the UK Companies Act 2006, the Companies Act of South Africa 2008, the UK Listing Rules and/or the Johannesburg Stock Exchange Limited Listings Requirements, gives rise to a material misstatement in the financial statements. In assessing compliance with laws and regulations, our tests included checking the financial statement disclosures to underlying supporting documentation, assessment of certain component auditors' work, enquiries with management and enquiries of legal counsel.

As in all of our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period. In terms of ISAs (UK), they include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and property, plant and equipment	
Goodwill of €698 million (2016: €681 million) is assessed annually for impairment using a value-in-use basis to determine recoverable amount, while property, plant and equipment of €3,962 million (2016: €3,788 million) is assessed for impairment or impairment reversal where possible indicators of impairment or impairment reversal are identified. The Group's assessment of the carrying value of goodwill and property, plant and equipment requires accounting judgement and estimation, in particular in forecasting growth rates and future cash flows, establishing the discount rates to be applied and in determining the level at which impairments should be assessed, and therefore we considered it to be a key audit matter. The Group has recorded impairment charges of €50 million (2016: €27 million) and impairment reversals of €14 million (2016: €2 million) related to property, plant and equipment. Refer to notes 1, 10, 11 and 33, and the Audit Committee's views set out on page 101.	We satisfied ourselves as to the appropriateness of the judgement related to the level at which impairment is assessed for property, plant and equipment, being the lowest level at which largely independent cash inflows can be identified (the cash generating unit, CGU). We also assessed the level at which goodwill is monitored for impairment, including the impact of the business reorganisation in 2017 related to the South Africa Division. For property, plant and equipment, we evaluated management's assessment of impairment indicators, as well as indicators of impairment reversal, including the conclusions reached. Our evaluation included assessing the process performed by management in accordance with the Group's accounting policy to identify impairment triggers, together with an assessment of business performance in the year, including specific consideration of the impact of the business restructuring announced during 2017. Where impairment tests were performed, we assessed the basis for management's estimates of growth rates and future cash flows with reference to historical trading performance, market expectations and management forecasts. We used our internal valuation expertise to independently recalculate the discount rates applied and checked the mathematical accuracy of management's valuation models. Where a reversal of property, plant and equipment impairment was identified, in addition to testing the basis of management's estimates, we also checked the reversal calculated did not exceed the historical depreciated value of the impacted assets, taking into account depreciation that would have been charged if no impairment had been recorded previously. For the groups of CGUs that have goodwill attached to them, we also compared the Group's market capitalisation with the aggregate enterprise value reflected in management's impairment models. We recalculated management's assessment of the sensitivity of the Group's goodwill impairment models to reasonably possible changes in the key assumptions and considered the appropriateness of disclosures provided by the Group in relation to its impairment reviews. Based on the procedures performed, we noted no material issues from our work.

Key audit matter	How our audit addressed the key audit matter
Taxation	
The Group has operations in a number of geographical locations and as such is subject to multiple tax jurisdictions, giving rise to complexity in accounting for the Group's taxation. In particular, the existence of tax incentives available to the Group and historical tax losses requires estimation of forecast taxable profitability and of the expected utilisation of incentives in determining the appropriate tax charge for the Group and recognition of deferred tax assets. There are also cross-border transactions which give rise to transfer pricing related risks that require judgement to determine the appropriate tax charge and any associated provisions, and for these reasons we considered it to be a key audit matter. Refer to notes 7 and 33, and the Audit Committee's views set out on page 101.	Our audit work, which involved taxation audit specialists in specific locations where local tax knowledge was considered necessary, included the assessment of taxation assets and liabilities, with particular consideration given to the judgements taken by management in relation to accounting for tax incentives, corporate tax provisions and the recognition of deferred tax assets. We assessed the Group's treatment of tax incentives and whether it was appropriate to classify arrangements as investment tax credits, by considering the related incentive criteria. We also considered the appropriateness of the Group's accounting policy for investment tax credits and tested the application of the policy to incentive arrangements available in the year. We also involved transfer pricing specialists to consider the appropriateness of the Group's assessment of its exposure to transfer pricing related risks and related corporate tax provisions. Our assessment included reading relevant third-party evidence and correspondence with tax authorities. In relation to deferred tax assets, we satisfied ourselves as to the appropriateness of management's judgements on the availability of future taxable profits in determining whether to recognise these assets. We considered the appropriateness of the related disclosures in note 7 and note 33 to the financial statements. Based on the procedures performed, we noted no material issues from our work.
Capitalisation of property, plant and equipment	
The Group continues to invest in significant capital projects, with capital expenditure of €649 million incurred during the year ended 31 December 2017, including the Group's major capital projects in the Czech Republic, Poland, Russia and Slovakia. The significant level of capital expenditure requires consideration of the nature of the costs incurred to ensure that their capitalisation in property, plant and equipment meets the specific recognition criteria in the Group's accounting policy, in particular for assets constructed by the Group, and the useful economic lives assigned by management are appropriate. For these reasons we considered it to be a key audit matter. Refer to notes 10 and 33, and the Audit Committee's views set out on page 100.	Our audit work included testing the amounts capitalised to supporting evidence and evaluating whether assets capitalised satisfied the required recognition criteria. We also assessed the useful economic lives assigned with reference to the Group's historical experience, including assessing the level of fully depreciated assets held by the Group. We read the Group's Board and Executive Committee minutes to evaluate the completeness of management's consideration of any events that warranted changes to the useful economic lives. As Group auditors, we visited the Mondi sites and component auditors where significant capital projects are ongoing, including units in the Czech Republic, Poland, Russia and Slovakia, to understand the nature of the projects and to discuss with our component teams the local audit testing to be performed by them related to the capitalisation of assets. We considered the appropriateness of the related disclosures in note 10 and note 33 to the financial statements. Based on the procedures performed, we noted no material issues from our work.

Independent auditors' report of PricewaterhouseCoopers LLP to the members of Mondi plc and of PricewaterhouseCoopers Inc. to the shareholders of Mondi Limited

Key audit matter	How our audit addressed the key audit matter
Valuation of forestry assets	
The valuation of the Group's forestry assets, amounting to €325 million (2016: €316 million), is dependent upon various assumptions that are subject to significant estimation and prevailing market prices and, therefore, we considered it to be a key audit matter. The change in fair value of €43 million (2016: €64 million) in the year is recorded in the income statement. The most significant assumptions included in the valuation model relate to the determination of the estimated net standing prices to be applied to the forestry assets, the conversion factor used to convert hectares of land under afforestation to tonnes of standing timber and the risk adjustment rate applied to immature timber. Refer to notes 13 and 33, and the Audit Committee's views set out on page 101.	We evaluated the Company's valuation model for calculating the fair value of biological assets by assessing the model against the criteria in IAS 41 – Agriculture and IFRS 13 – Fair value measurement. In evaluating the valuation of the forestry assets, our procedures primarily consisted of substantive tests of details, where we assessed the appropriateness of the inputs and the assumptions used in the valuation model taking into account supporting evidence, and analytical procedures, where we compared the inputs and assumptions in the 31 December 2016 valuation with the 31 December 2017 valuation. We also performed procedures over the mathematical accuracy of the valuation model. We compared the estimated net standing prices to third party evidence and the inputs used in the conversion factor to convert hectares of land under afforestation to tonnes of standing timber with supporting historical evidence as well as benchmarking the conversion factor against industry data. We also assessed the risk adjustment applied in the valuation model to immature timber by agreeing the factors taken into account in the risk adjustment to historical evidence, industry data and other corroborating evidence provided by management. We evaluated the directors' assessment of the sensitivity of the valuation to reasonably possible changes in assumptions. We considered the appropriateness of the related disclosures in note 13 and note 33 to the financial statements. Based on the procedures performed, we noted no material issues from our work.

PricewaterhouseCoopers LLP have determined that there are no additional key audit matters to communicate in our report with regard to the audit of the Mondi plc parent company financial statements for the current period.

How we tailored the audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the Group financial statements as a whole, taking into account the structure of the Group and the parent companies, the accounting processes and controls, and the industry in which they operate.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at components by us, as the Group engagement team, or component auditors operating under our instruction.

We identified one component as a significant component (as defined within ISAs (UK) and ISAs) which, in our view, required an audit of its complete financial information, due to its financial significance to the Group. Outside of this component, we obtained full scope audit reporting from a further 9 components, where we concluded that the component engagement leader is a Key Audit Partner (as defined under ISAs (UK)), and an additional 18 components. Together, these components were in 9 countries, representing the Group's principal businesses, and accounted for 66% of the Group's revenue.

Specified audit procedures on certain balances and transactions were performed at a further 26 components and central testing was performed on selected items, such as goodwill, primarily to ensure appropriate audit coverage. In aggregate, the locations subject to audit procedures represented 84% of the Group's revenue.

Where work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

We issued formal written instructions to all component auditors setting out the audit work to be performed by each of them and maintained regular communication with them throughout the audit cycle. These interactions included attending certain component clearance meetings, as well as reviewing and assessing any matters reported. The Group engagement team also reviewed selected audit working papers for certain in-scope component teams. We also issued audit transition instructions to all of our component auditors and held an audit transition workshop attended by selected component teams, largely focused on the planning for our audit transition as part of our first year audit.

In addition, senior members of the Group engagement team visited component teams in Slovakia, Poland, Russia, the Czech Republic, Germany, Austria and South Africa. These visits included meetings with local management and with the component auditors, and typically involved operating site tours.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures, and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Mondi plc parent company financial statements
Overall materiality	€45 million.	€30 million.
How we determined it	Based on 5% of profit before tax adjusted for special items.	1% of total assets.
Rationale for benchmark applied	For overall Group materiality, we chose an adjusted profit before tax measure as the benchmark. The adjusted profit before tax measure removes the impact of significant items which do not recur from year to year or otherwise significantly affect the underlying trend of performance from continuing operations. This is the metric against which the performance of the Group is most commonly assessed by management and reported to members. We chose 5%, which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.	For overall Mondi plc parent company materiality, PricewaterhouseCoopers LLP determined the materiality based on total assets, which is more applicable than a performance-related measure as the company is an investment holding company for the Group. Using professional judgement, PricewaterhouseCoopers LLP determined materiality for this year at €30 million, which equates to approximately 1% of the current year's total assets.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between €1.5 million and €37 million.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €2 million as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) PricewaterhouseCoopers LLP report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and Mondi plc parent company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Mondi plc parent company's ability to continue as a going concern.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Independent auditors' report of PricewaterhouseCoopers LLP to the members of Mondi plc and of PricewaterhouseCoopers Inc. to the shareholders of Mondi Limited

Other information

Reporting on other information by PricewaterhouseCoopers LLP

The other information comprises all of the information in the Integrated Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the UK Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and the Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Mondi plc parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and the Directors' Report. (CA06)

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

→ The directors' confirmation on page 36 of the Integrated Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

→ The disclosures in the Integrated Report that describe those risks and explain how they are being managed or mitigated.

→ The directors' explanation on page 41 of the Integrated Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Mondi plc parent company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions
We have nothing to report in respect of our responsibility to report when: → The statement given by the directors, on page 139, that they consider the Integrated Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Mondi plc parent company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Mondi plc parent company obtained in the course of performing our audit. → The section of the Integrated Report on pages 97 to 101 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee. → The directors' statement relating to Mondi plc's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.
Directors' Remuneration
In our opinion, the part of the Remuneration Report to be audited has been properly prepared in accordance with the UK Companies Act 2006. (CA06)

Reporting on other information by PricewaterhouseCoopers Inc.

The directors are responsible for the other information. The other information comprises the contents of the Integrated Report listed on page 1 outside of the Group financial statements being the Overview, the Strategic report, the Governance section, the Directors' responsibility statement, the Mondi plc parent company financial statements, the extracted financial information of Mondi Limited parent company audited financial statements, the Group financial record, Production statistics, Exchange rates, Additional information for Mondi plc shareholders, Shareholder information, and the Glossary of terms and the contents of the Mondi Limited audited annual financial statements. Other information does not include the Group financial statements and our auditor's report thereon.

Our opinion on the Group financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditors' report of PricewaterhouseCoopers LLP to the members of Mondi plc and of PricewaterhouseCoopers Inc. to the shareholders of Mondi Limited

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibility statement set out on page 139, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework, and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and Mondi plc's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or Mondi plc or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

A further description of PricewaterhouseCoopers LLP's responsibilities for the audit of the financial statements in accordance with ISAs (UK) is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

As part of an audit in accordance with ISAs, PricewaterhouseCoopers Inc. exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Group financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Group financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Group financial statements, including the disclosures, and whether the Group financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the Group financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Use of the independent auditors' report of PricewaterhouseCoopers LLP

The independent auditors' report of PricewaterhouseCoopers LLP, including the opinions issued by PricewaterhouseCoopers LLP, has been prepared for and only for the members of Mondi plc as a body in accordance with Chapter 3 of Part 16 of the UK Companies Act 2006 and for no other purpose. PricewaterhouseCoopers LLP does not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by PricewaterhouseCoopers LLP's prior consent in writing.

Report on other legal and regulatory requirements

Other required reporting by PricewaterhouseCoopers LLP

UK Companies Act 2006 exception reporting

Under the UK Companies Act 2006 we are required to report to you if, in our opinion:

- → we have not received all the information and explanations we require for our audit; or
- → adequate accounting records have not been kept by the Mondi plc parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- → certain disclosures of directors' remuneration specified by law are not made; or
- → the Mondi plc parent company financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 11 May 2017 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods. This is, therefore, PricewaterhouseCoopers LLP's first year of uninterrupted engagement auditing Mondi plc.

Other required reporting by PricewaterhouseCoopers Inc.

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Mondi Limited for one year.

Andrew Kemp (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
1 March 2018

PricewaterhouseCoopers Inc.
Director: JFM Kotzé
Registered Auditor
Johannesburg, South Africa
1 March 2018

Combined and consolidated income statement
for the year ended 31 December 2017

		2017			2016		
€ million	**Notes**	**Underlying**	**Special items (note 3)**	**Total**	**Underlying**	**Special items (note 3)**	**Total**
Group revenue	2	**7,096**	**—**	**7,096**	**6,662**	**—**	**6,662**
Materials, energy and consumables used		(3,456)	—	(3,456)	(3,249)	—	(3,249)
Variable selling expenses		(525)	—	(525)	(499)	—	(499)
Gross margin		3,115	—	3,115	2,914	—	2,914
Maintenance and other indirect expenses		(319)	—	(319)	(301)	—	(301)
Personnel costs	5	(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)
Operating profit	2	**1,018**	**(61)**	**957**	**981**	**(38)**	**943**
Net profit from equity accounted investees		1	—	1	1	—	1
Total profit from operations and equity accounted investees		1,019	(61)	958	982	(38)	944
Net finance costs	6	(71)	—	(71)	(101)	—	(101)
Profit before tax		948	(61)	887	881	(38)	843
Tax (charge)/credit	7a	(181)	8	(173)	(166)	9	(157)
Profit for the year		**767**	**(53)**	**714**	**715**	**(29)**	**686**
Attributable to:							
Non-controlling interests	31	**43**		**43**	**48**		**48**
Shareholders		**724**		**671**	**667**		**638**
Earnings per share (EPS) attributable to shareholders							
(euro cents)							
Basic EPS	8			**138.6**			**131.8**
Diluted EPS	8			**138.5**			**131.7**
Basic underlying EPS	8			**149.5**			**137.8**
Diluted underlying EPS	8			**149.4**			**137.7**
Basic headline EPS	8			**146.0**			**135.9**
Diluted headline EPS	8			**145.9**			**135.8**

Combined and consolidated statement of comprehensive income
for the year ended 31 December 2017

€ million	2017 Before tax amount	2017 Tax charge	2017 Net of tax amount	2016 Before tax amount	2016 Tax benefit	2016 Net of tax amount
Profit for the year			**714**			**686**
Items that have been or may subsequently be reclassified to the combined and consolidated income statement						
Cash flow hedges:	—	—	—	—	—	—
Fair value gains arising during the year	—			1		
Less: Adjustments for amounts transferred to hedged items	—			(1)		
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)	—		—
Items that will not subsequently be reclassified to the combined and consolidated income statement						
Remeasurements of retirement benefits plans:	9	(1)	8	(19)	4	(15)
Return on plan assets	8			15		
Actuarial losses arising from changes in demographic assumptions	—			(1)		
Actuarial gains/(losses) arising from changes in financial assumptions	4			(37)		
Actuarial (losses)/gains arising from experience adjustments	(3)			4		
Other comprehensive (expense)/income for the year	**(66)**	**(1)**	**(67)**	**132**	**4**	**136**
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			**41**			**44**
Shareholders			**606**			**778**
Total comprehensive income for the year			**647**			**822**

Combined and consolidated statement of financial position
as at 31 December 2017

€ million	Notes	2017	2016
Property, plant and equipment	10	3,962	3,788
Goodwill	11	698	681
Intangible assets	12	111	120
Forestry assets	13	325	316
Investment in equity accounted investees		3	9
Financial instruments		23	25
Deferred tax assets	7b	25	26
Net retirement benefits asset	22	7	1
Total non-current assets		**5,154**	**4,966**
Inventories	14	867	850
Trade and other receivables	15	1,106	1,049
Current tax assets		29	32
Financial instruments		14	8
Cash and cash equivalents	25b	38	404
Assets held for sale	24	1	1
Total current assets		**2,055**	**2,344**
Total assets		**7,209**	**7,310**
Short-term borrowings	19	(267)	(651)
Trade and other payables	16	(1,074)	(1,100)
Current tax liabilities		(126)	(95)
Provisions	17	(50)	(49)
Financial instruments		(8)	(23)
Total current liabilities		**(1,525)**	**(1,918)**
Medium and long-term borrowings	19	(1,098)	(1,119)
Net retirement benefits liability	22	(232)	(240)
Deferred tax liabilities	7b	(255)	(267)
Provisions	17	(41)	(44)
Other non-current liabilities		(19)	(26)
Total non-current liabilities		**(1,645)**	**(1,696)**
Total liabilities		**(3,170)**	**(3,614)**
Net assets		**4,039**	**3,696**
Equity			
Combined share capital and stated capital	20	542	542
Retained earnings and other reserves		3,172	2,850
Total attributable to shareholders		**3,714**	**3,392**
Non-controlling interests in equity		325	304
Total equity		**4,039**	**3,696**

The Group's combined and consolidated financial statements, and related notes 1 to 33, 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

Combined and consolidated statement of changes in equity
for the year ended 31 December 2017

€ million	Combined share capital and stated capital	Treasury shares	Retained earnings	Other reserves	Equity attributable to shareholders	Non-controlling interests	Total equity
At 1 January 2016	542	(29)	2,868	(476)	**2,905**	282	**3,187**
Total comprehensive income for the year	—	—	638	140	**778**	44	**822**
Dividends	—	—	(274)	—	**(274)**	(32)	**(306)**
Purchases of treasury shares	—	(20)	—	—	**(20)**	—	**(20)**
Distribution of treasury shares	—	25	(25)	—	**—**	—	**—**
Mondi share schemes' charge	—	—	—	13	**13**	—	**13**
Issue of shares under employee share schemes	—	—	10	(11)	**(1)**	—	**(1)**
Acquisition of business	—	—	—	—	**—**	3	**3**
Put option held by non-controlling interests	—	—	—	(9)	**(9)**	—	**(9)**
Other movements in non-controlling interests	—	—	—	—	**—**	7	**7**
At 31 December 2016	**542**	**(24)**	**3,217**	**(343)**	**3,392**	**304**	**3,696**
Total comprehensive income/(expense) for the year	—	—	671	(65)	**606**	41	**647**
Dividends	—	—	(273)	—	**(273)**	(22)	**(295)**
Purchases of treasury shares	—	(24)	—	—	**(24)**	—	**(24)**
Distribution of treasury shares	—	21	(21)	—	**—**	—	**—**
Mondi share schemes' charge	—	—	—	15	**15**	—	**15**
Issue of shares under employee share schemes	—	—	14	(14)	**—**	—	**—**
Put option held by non-controlling interests	—	—	(5)	5	**—**	—	**—**
Other movements in non-controlling interests	—	—	(2)	—	**(2)**	2	**—**
At 31 December 2017	**542**	**(27)**	**3,601**	**(402)**	**3,714**	**325**	**4,039**

Other reserves

€ million	2017	2016
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)
Total other reserves	**(402)**	**(343)**

Combined and consolidated statement of cash flows
for the year ended 31 December 2017

€ million	Notes	2017	2016
Cash flows from operating activities			
Cash generated from operations	25a	1,325	1,401
Dividends received from equity accounted investees		—	1
Dividends received from other investments		1	—
Income tax paid		(151)	(173)
Net cash generated from operating activities		**1,175**	**1,229**
Cash flows from investing activities			
Investment in property, plant and equipment		(611)	(465)
Investment in intangible assets	12	(16)	(13)
Investment in forestry assets		(49)	(45)
Proceeds from the disposal of property, plant and equipment and forestry assets		14	14
Proceeds from the disposal of financial asset investments		1	1
Acquisition of subsidiaries, net of cash and cash equivalents	23	(37)	(162)
Loan repayments from external parties		1	—
Interest received		3	5
Net cash used in investing activities		**(694)**	**(665)**
Cash flows from financing activities			
Proceeds from medium and long-term borrowings		25	1
Repayment of medium and long-term borrowings		(11)	(166)
(Repayment of)/proceeds from Eurobonds	25c	(500)	500
Net proceeds from/(repayment of) short-term borrowings	25c	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
Net cash used in financing activities		**(920)**	**(219)**
Net (decrease)/increase in cash and cash equivalents		**(439)**	**345**
Cash and cash equivalents at beginning of year		377	36
Cash movement in the year	25c	(439)	345
Effects of changes in foreign exchange rates	25c	(4)	(4)
Cash and cash equivalents at end of year	25b	**(66)**	**377**

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

1 Basis of preparation

Dual listed structure

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 combined and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB); the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee; Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa 2008. The principal accounting policies adopted are set out in note 33.

There are no differences for the Group in applying IFRS as issued by the IASB and IFRS as adopted by the European Union (EU) and, therefore, the Group also complies with Article 4 of the EU IAS Regulation.

The combined and consolidated financial statements have been prepared on a going concern basis as discussed in the Strategic report within Our principal risks under the heading 'Going concern' on page 41.

Critical accounting judgements and key estimates

The preparation of the Group's combined and consolidated financial statements includes the use of estimates and assumptions. Although the estimates used are based on management's best information about current circumstances and future events and actions, actual results may differ from those estimates.

The most significant estimates and judgements are:

Key estimates

→ Fair value of forestry assets – refer to note 13

→ Actuarial valuations of retirement benefit obligations – refer to note 22

→ Fair value of assets acquired and liabilities assumed in business combinations – refer to note 23

Critical accounting judgements and other accounting estimates

→ Impairment of goodwill – refer to note 11

→ Impairment of property, plant and equipment, and intangible assets – refer to notes 10 and 12

→ Residual values and useful economic lives of property, plant and equipment – refer to notes 10 and 33

→ Taxation – refer to notes 7 and 33

Special items (note 3)

Special items are those items of financial performance that the Group considers should be separately disclosed to improve the understanding of the underlying financial performance achieved by the Group as special items affect year-on-year comparability. Such items are generally material by nature and the quantitative threshold for recognition of special items is €10 million.

Subsequent adjustments to items previously recognised as special items continue to be reflected as special items in future periods even if they do not exceed the quantitative reporting threshold.

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

2 Operating segments

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.

The material product types from which the Group's externally reportable segments derive both their internal and external revenues are as follows:

Operating segments	Product types
Packaging Paper	Packaging paper
	Pulp
Fibre Packaging	Corrugated packaging
	Industrial bags
	Extrusion coatings
Consumer Packaging	Consumer goods packaging
	Personal care components
	Technical films
	Release liners
Uncoated Fine Paper	Uncoated fine paper
	Pulp
	Newsprint

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

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

Note:
1 Presented on a full time employee equivalent basis

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

€ million	2017	2016
Underlying EBITDA	**1,444**	**1,366**
Depreciation and impairments	(393)	(356)
Amortisation	(33)	(29)
Underlying operating profit	**1,018**	**981**
Special items (see note 3)	(61)	(38)
Net profit from equity accounted investees	1	1
Net finance costs	(71)	(101)
Profit before tax	**887**	**843**

Reconciliation of operating segment assets

	2017		2016	
€ million	Segment assets	Segment net assets	Segment assets	Segment net assets
Group total	**6,956**	**5,929**	**6,656**	**5,618**
Unallocated				
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)
Group capital employed	**7,162**	**5,365**	**6,900**	**5,079**
Financial instruments/(net debt)	47	(1,326)	410	(1,383)
Total assets/equity	**7,209**	**4,039**	**7,310**	**3,696**

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

2 Operating segments

	External revenue by location of production		External revenue by location of customer	
€ million	2017	2016	2017	2016
Revenue				
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
Group total	**7,096**	**6,662**	**7,096**	**6,662**

There were no external customers which account for more than 10% of the Group's total external revenue.

	2017			2016		
€ million	Non-current non-financial assets	Segment assets	Segment net assets	Non-current non-financial assets	Segment assets	Segment net assets
Africa						
South Africa	700	858	749	705	841	717
Rest of Africa	19	44	42	18	36	34
Africa total	719	902	791	723	877	751
Western Europe						
Austria	501	850	630	456	791	554
United Kingdom	56	89	73	38	52	41
Rest of western Europe	858	1,261	1,075	911	1,285	1,093
Western Europe total	1,415	2,200	1,778	1,405	2,128	1,688
Emerging Europe						
Poland	860	1,065	954	803	979	881
Slovakia	402	446	369	417	460	394
Rest of emerging Europe	870	1,144	978	668	916	753
Emerging Europe total	2,132	2,655	2,301	1,888	2,355	2,028
Russia	583	730	644	599	756	679
North America	159	324	281	198	383	327
Asia and Australia	88	145	134	92	157	145
Group total	**5,096**	**6,956**	**5,929**	**4,905**	**6,656**	**5,618**

Average number of employees[1]		
thousands	2017	2016
By principal locations of employment		
Africa	1.9	1.9
Western Europe	7.3	7.2
Emerging Europe	8.7	7.9
Russia	5.6	5.6
North America	2.2	2.2
Asia and Australia	0.6	0.6
Group total	**26.3**	**25.4**

Note:
1 Presented on a full time employee equivalent basis

3 Special items

€ million	2017	2016
Operating special items		
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)
Total operating special items	**(61)**	**(38)**
Total special items before tax and non-controlling interests	**(61)**	**(38)**
Tax credit (see note 7)	8	9
Total special items attributable to shareholders	**(53)**	**(29)**

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.

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

4 Auditors' remuneration

€ million	2017	2016
Fees payable to the auditors for the audit of Mondi Limited's and Mondi plc's annual financial statements	0.4	0.5
United Kingdom	0.3	0.4
South Africa	0.1	0.1
Fees payable to the auditors and their associates for the audit of Mondi Limited's and Mondi plc's subsidiaries	3.2	3.1
Total audit fees	**3.6**	**3.6**
Audit-related assurance services	0.3	0.2
Tax compliance services	—	0.1
Other services	—	0.2
Total non-audit fees	**0.3**	**0.5**
Total fees	**3.9**	**4.1**

5 Personnel costs

€ million, unless otherwise stated	2017	2016
Within operating costs		
Wages and salaries	848	802
Social security costs	170	162
Defined contribution retirement plan contributions (see note 22)	14	14
Defined benefit retirement plan service costs (see note 22)	6	5
Share-based payments (see note 21)	15	13
Total within operating costs	**1,053**	**996**
Within special items		
Personnel costs relating to restructuring (see note 3)	**9**	**13**
Within net finance costs		
Retirement benefit medical plan net interest costs	5	5
Retirement benefit pension plan net interest costs	4	5
Total within net finance costs (see note 6)	**9**	**10**
Group total	**1,071**	**1,019**
Average number of employees (thousands)[1]	**26.3**	**25.4**

Note:

1 Presented on a full time employee equivalent basis

6 Net finance costs

Net finance costs are presented below:

€ million	2017	2016
Investment income		
Investment income	**4**	**5**
Net foreign currency losses		
Net foreign currency losses	**(2)**	**(4)**
Finance costs		
Interest expense		
Interest on bank overdrafts and loans	(65)	(97)
Net interest expense on net retirement benefits liability (see note 22)	(9)	(10)
Total interest expense	**(74)**	**(107)**
Less: Interest capitalised (see note 10)	1	5
Total finance costs	**(73)**	**(102)**
Net finance costs	**(71)**	**(101)**

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 Taxation

(a) Analysis of tax charge for the year

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
Current tax	**187**	**162**
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)
Total tax charge before special items	**181**	**166**
Current tax on special items	(2)	(1)
Deferred tax on special items	(6)	(8)
Total tax credit on special items (see note 3)	**(8)**	**(9)**
Total tax charge	**173**	**157**

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

7 Taxation

Factors affecting tax charge for the year

The Group's total tax charge for the year can be reconciled to the tax on the Group's profit before tax at the weighted average UK and SA corporation tax rate of 20.10%[1] (2016: 21.20%), as follows:

€ million	2017	2016
Profit before tax	**887**	**843**
Tax on profit before tax calculated at the weighted average UK and SA corporation tax rate of 20.10% (2016: 21.20%)	**178**	**179**
Tax effects of:		
Expenses not deductible for tax purposes	**9**	**8**
Special items not tax deductible	2	—
Other non-deductible expenses	7	8
Non-taxable income	**(1)**	**—**
Temporary difference adjustments	**(6)**	**(12)**
Current year tax losses and other temporary differences not recognised	13	9
Prior year tax losses and other temporary differences not previously recognised	(20)	(19)
Attributable to a change in the rate of domestic income tax	1	(2)
Other adjustments	**(7)**	**(18)**
Current tax prior year adjustments	5	5
Tax incentives[2]	(29)	(37)
Effect of differences between local rates and UK and SA rates	13	2
Other adjustments	4	12
Tax charge for the year	**173**	**157**

Notes:

1 The weighted average tax rate has been determined by weighting the profit before tax after special items of Mondi Limited and its subsidiaries and Mondi plc and its subsidiaries

2 The tax incentives principally relate to capital investments in Poland and Russia

(b) Deferred tax

	Deferred tax assets		Deferred tax liabilities	
€ million	2017	2016	2017	2016
At 1 January	26	23	(267)	(241)
(Charged)/credited to combined and consolidated income statement	(1)	(4)	13	8
(Charged)/credited to combined and consolidated statement of comprehensive income	(1)	2	—	2
Acquired through business combinations (see note 23)	—	—	(3)	(7)
Reclassification	2	4	(4)	(4)
Currency movements	(1)	1	6	(25)
At 31 December	**25**	**26**	**(255)**	**(267)**

The amount of deferred tax credited/(charged) to the combined and consolidated income statement comprises:

€ million	2017	2016
Capital allowances in excess of depreciation	2	4
Fair value adjustments	—	(14)
Tax losses (derecognised)/recognised	(7)	3
Other temporary differences	17	11
Total credit	**12**	**4**

Deferred tax comprises:

	Deferred tax assets		Deferred tax liabilities	
€ million	2017	2016	2017	2016
Capital allowances in excess of depreciation	(16)	(29)	(251)	(242)
Fair value adjustments	—	1	(89)	(91)
Tax losses[1]	8	16	18	17
Other temporary differences[1]	33	38	67	49
Total	**25**	**26**	**(255)**	**(267)**

Note:

1 Based on forecast data, the Group considers it probable that there will be sufficient future taxable profits available in the relevant jurisdictions to utilise these tax losses and other temporary differences

The current expectation regarding the maturity of deferred tax balances is:

	Deferred tax assets		Deferred tax liabilities	
€ million	2017	2016	2017	2016
Recoverable/(payable) within 12 months	18	13	(1)	(3)
Recoverable/(payable) after 12 months	7	13	(254)	(264)
Total	**25**	**26**	**(255)**	**(267)**

The Group has the following amounts in respect of which no deferred tax asset has been recognised due to the low probability of future profit streams or gains against which these could be utilised:

€ million	2017	2016
Tax losses – revenue	1,389	1,478
Tax losses – capital	16	16
Other temporary differences	63	62
Total	**1,468**	**1,556**

There were no significant changes in the expected future profit streams or gains.

Included in unrecognised tax losses are losses that will expire as follows:

€ million	2017	2016
Expiry date		
Within one year	8	9
One to five years	30	78
After five years	89	123
No expiry date	1,278	1,284
Total	**1,405**	**1,494**

No deferred tax liability is recognised on gross temporary differences of €856 million (2016: €715 million) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. UK tax legislation largely exempts, from UK tax, overseas dividends received on or after 1 July 2009. As a result, the gross temporary differences at 31 December 2017 represent only the unremitted earnings of those overseas subsidiaries where remittance to the UK of those earnings would still result in a tax liability, principally as a result of dividend withholding taxes levied by the overseas tax jurisdictions in which these subsidiaries operate and non-UK corporate taxes on dividends.

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

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:

	Earnings	
€ million	**2017**	**2016**
Profit for the year attributable to shareholders	**671**	**638**
Special items (see note 3)	61	38
Related tax (see note 3)	(8)	(9)
Underlying earnings for the year	**724**	**667**
Special items not excluded from headline earnings	(23)	(18)
Loss on disposal of property, plant and equipment	1	—
Impairments not included in special items (see note 10)	4	5
Related tax	1	4
Headline earnings for the year	**707**	**658**

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

9 Dividends

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	—
Total final ordinary and special dividends proposed for the year ended 31 December	**142.90**	**38.19**

€ million	**2017**	**2016**
Final ordinary dividend paid (in respect of prior year)	180	183
Interim ordinary dividend paid	93	91
Total ordinary dividends paid	**273**	**274**
Final ordinary dividend proposed for the year ended 31 December	208	185
Special dividend proposed for the year ended 31 December	485	—
Total final ordinary and special dividends proposed for the year ended 31 December	**693**	**185**
Declared by Group companies to non-controlling interests	22	32

The final ordinary and special dividends proposed are subject to approval by shareholders at the Annual General Meetings of Mondi Limited and Mondi plc scheduled for 16 May 2018.

10 Property, plant and equipment

€ million	Land and buildings[1]	Plant and equipment	Assets under construction	Other	Total
Net carrying value					
At 1 January 2016	981	2,316	186	71	**3,554**
Acquired through business combinations	23	30	—	2	**55**
Additions	24	96	306	20	**446**
Disposal of assets	(4)	(6)	(1)	(1)	**(12)**
Depreciation charge for the year	(48)	(278)	—	(25)	**(351)**
Impairment losses recognised[2]	(6)	(19)	(1)	(1)	**(27)**
Impairment losses reversed[3]	—	2	—	—	**2**
Transfer from assets under construction	42	197	(256)	16	**(1)**
Reclassification	(1)	(2)	1	(1)	**(3)**
Currency movements	21	91	10	3	**125**
At 31 December 2016	**1,032**	**2,427**	**245**	**84**	**3,788**
Cost	1,745	6,520	252	316	**8,833**
Accumulated depreciation and impairments	(713)	(4,093)	(7)	(232)	**(5,045)**
Acquired through business combinations (see note 23)	1	3	3	2	**9**
Additions	53	157	402	37	**649**
Disposal of assets	(2)	(9)	(2)	(1)	**(14)**
Depreciation charge for the year	(54)	(301)	—	(34)	**(389)**
Impairment losses recognised[2]	(13)	(35)	(1)	(1)	**(50)**
Impairment losses reversed[3]	1	13	—	—	**14**
Transfer from assets under construction	59	200	(279)	17	**(3)**
Reclassification[4]	(2)	(25)	10	2	**(15)**
Currency movements	(6)	(17)	(1)	(3)	**(27)**
At 31 December 2017	**1,069**	**2,413**	**377**	**103**	**3,962**
Cost	1,824	6,674	385	352	**9,235**
Accumulated depreciation and impairments	(755)	(4,261)	(8)	(249)	**(5,273)**

Notes:
1 The land carrying value included in 'Land and buildings' is €159 million (2016: €156 million)
2 Impairment losses include €46 million (2016: €22 million) classified as operating special items and €4 million (2016: €5 million) of other impairments
3 Impairment losses reversed are classified as operating special items
4 Reclassification includes reclassification of spare parts that will now be retained within inventory

Included in the cost above is €1 million (2016: €5 million) of interest incurred on qualifying assets which has been capitalised during the year. These amounts are deductible for tax purposes either when incurred or included in the amount permitted to be deducted for capital expenditure, depending on the jurisdiction in which they are capitalised.

The recoverable amount of property, plant and equipment is determined based on the use of the asset within the current business plans. Any change in future intentions could result in an impairment of varying magnitude, depending on the assets affected.

11 Goodwill

(a) Reconciliation

€ million	2017	2016
Net carrying value		
At 1 January	681	590
Arising through business combinations (see note 23)	24	81
Arising from purchase price adjustment (see note 23)	2	13
Currency movements	(9)	(3)
At 31 December	**698**	**681**

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

11 Goodwill

(b) Assumptions

Goodwill arising through business combinations is allocated to the group of cash-generating units (CGUs) that are expected to benefit from the synergies of the combination and represents the lowest level at which goodwill is monitored for internal management purposes. The recoverable amounts of these groups of CGUs are the higher of fair value less costs of disposal and value-in-use and are as follows:

			Carrying value	
€ million, unless otherwise stated	**Weighted average pre-tax discount rate**	**Growth rate**	**2017**	**2016**
Consumer Packaging	9.3%	2%	428	412
Kraft Paper	9.3%	0%	83	83
Containerboard	11.0%	0%	63	59
Industrial Bags	10.0%	0%	47	49
Corrugated Packaging	10.3%	0%	38	39
Uncoated Fine Paper	11.6%	0%	32	32
Extrusion Coatings	9.0%	0%	7	7
Total goodwill			**698**	**681**

Key assumptions

The key assumptions in the value-in-use calculations are:

- cash flow forecasts which are derived from the budgets most recently approved by the Boards covering the three-year period to 31 December 2020;
- sales volumes, sales prices and variable input cost assumptions in the budget period are derived from a combination of economic forecasts for the regions in which the Group operates, industry forecasts for individual product lines, internal management projections, historical performance, and announced industry capacity changes;
- cash flow projections beyond three years are based on internal management projections taking into consideration industry forecasts and growth rates in the regions in which the Group operates. In general, such growth rates are assumed to be zero, except for Consumer Packaging, where a growth rate of 2% is applied for each of the following seven years beyond the budget period and zero thereafter into perpetuity; and
- capital expenditure forecasts are based on historical experience and include expenditure necessary to maintain the projected cash flows from operations at current operating levels.

The pre-tax discount rate is derived from the Group's weighted average cost of capital. In determining the discount rate applicable to each group of CGUs, adjustments are made to reflect the impacts of country risk and tax.

Sensitivity analyses

Expected future cash flows are inherently uncertain and could change materially over time. They are affected by a number of factors, including market and production estimates, together with economic factors such as prices, discount rates, currency exchange rates, estimates of production costs, and future capital expenditure.

Sensitivity analyses of reasonably possible changes in the underlying assumptions for each group of CGUs included:

- 1% increase in discount rate;
- 0% growth rate assumed in Consumer Packaging;
- 5% decrease in sales prices in Packaging Paper (Containerboard and Kraft Paper groups of CGUs) and Uncoated Fine Paper; and
- 3% decrease in gross margin in Consumer Packaging and Fibre Packaging (Corrugated Packaging, Industrial Bags and Extrusion Coatings groups of CGUs).

None of these downside sensitivity analyses in isolation indicated the need for an impairment.

12 Intangible assets

€ million	2017	2016
Net carrying value		
At 1 January	120	105
Acquired through business combinations (see note 23)	12	27
Additions	16	13
Impairment charge for the year	(3)	—
Amortisation charge for the year	(33)	(29)
Reclassification	3	3
Currency movements	(4)	1
At 31 December	**111**	**120**
Cost	311	294
Accumulated amortisation and impairments	(200)	(174)

The carrying value of intangible assets comprises:

€ million	2017	2016
Internally generated		
Software development costs	41	38
Acquired through business combinations		
Customer relationships	45	52
Patents and trademarks	19	25
Other	6	5
Total intangible assets	**111**	**120**

Research and development expenditure incurred by the Group and charged to the combined and consolidated income statement during the year amounted to €23 million (2016: €19 million).

13 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
At 31 December	**325**	**316**
Comprising		
Mature	190	193
Immature	135	123
Total forestry assets	**325**	**316**

In total, the Group has 245,163 hectares (2016: 251,435 hectares) of owned and leased land available for forestry activities, all of which is in South Africa. 79,159 hectares (2016: 81,017 hectares) are set aside for conservation activities and infrastructure needs. In 2016, 11,784 hectares were managed but not controlled by the Group, none in 2017. 1,664 hectares (2016: 3,097 hectares) relate to non-core activities. The balance of 164,340 hectares (2016: 155,537 hectares) are under afforestation which forms the basis of the valuation set out above.

Mature forestry assets are those plantations that are harvestable, while immature forestry assets have not yet reached that stage of growth. Timber is harvested according to a rotation plan, once trees reach maturity. This period ranges from 6.5 to 14.5 years, depending on species, climate and location.

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

13 Forestry assets

The fair value of forestry assets is a level 3 measure in terms of the fair value measurement hierarchy, consistent with prior years.

The following assumptions have a significant impact on the valuation of the Group's forestry assets:

- The net selling price, which is defined as the selling price less the costs of transport, harvesting, extraction and loading. The net selling price is based on third-party transactions and is influenced by the species, maturity profile and location of timber. In 2017, the net selling price used ranged from the South African rand equivalent of €17 per tonne to €47 per tonne (2016: €10 per tonne to €53 per tonne) with a weighted average of €29 per tonne (2016: €28 per tonne).
- The conversion factor used to convert hectares of land under afforestation to tonnes of standing timber, which is dependent on the species, the maturity profile of the timber, the geographic location, climate and a variety of other environmental factors. In 2017, the conversion factors ranged from 8.4 to 24.8 (2016: 8.6 to 25.0).
- The risk premium of 13.0% (2016: 14.0%) is based on an assessment of the risks associated with forestry assets in South Africa.

The valuation of the Group's forestry assets is determined in rand and converted to euro at the closing exchange rate on 31 December of each year.

The reported value of owned forestry assets would change as follows should there be a change in these underlying assumptions on the basis that all other factors remain unchanged:

€ million	2017
Effect of €1/tonne increase in net selling price	11
Effect of 1% increase in conversion factor (hectares to tonnes)	3
Effect of 1% increase in risk premium	(4)
Effect of 1% increase in EUR/ZAR exchange rate	(3)

14 Inventories

€ million	2017	2016
Valued using the first-in-first-out cost formula		
Raw materials and consumables	34	28
Work in progress	13	15
Finished products	27	22
Total valued using the first-in-first-out cost formula	**74**	**65**
Valued using the weighted average cost formula		
Raw materials and consumables	333	334
Work in progress	109	104
Finished products	351	347
Total valued using the weighted average cost formula	**793**	**785**
Total inventories	**867**	**850**
Of which, held at net realisable value	119	137
Combined and consolidated income statement		
Cost of inventories recognised as an expense	(3,057)	(2,866)
Write-down of inventories to net realisable value	(22)	(29)
Aggregate reversal of previous write-downs of inventories	19	18
Green energy sales and disposal of emissions credits	62	48

15 Trade and other receivables

€ million	2017	2016
Trade receivables	993	909
Allowance for doubtful debts	(32)	(32)
Net trade receivables	**961**	**877**
Other receivables	32	58
Tax and social security	90	93
Prepayments and accrued income	23	21
Total trade and other receivables	**1,106**	**1,049**

The fair values of trade and other receivables approximate their carrying values presented.

Trade receivables: credit risk

The Group has a large number of unrelated customers and does not have any significant credit risk exposure to any particular customer. The Group considers that there is no significant geographical or customer concentration of credit risk.

Each business segment manages its own exposure to credit risk according to the economic circumstances and characteristics of the relevant markets that they serve. The Group considers that management of credit risk on a decentralised basis enables it to assess and manage credit risk more effectively. However, broad principles of credit risk management are observed across all business segments, such as the use of credit rating agencies, credit guarantee insurance, where appropriate, and the maintenance of a credit control function.

€ million	2017	2016
Credit risk exposure		
Gross trade receivables	993	909
Credit insurance	(815)	(707)
Total exposure to credit risk	**178**	**202**

The insured cover is presented gross of contractually agreed excess amounts. In addition, the Group is in possession of bank guarantees and letters of credit securing trade and other receivables to the value of €16 million (2016: €13 million).

Credit periods offered to customers vary according to the credit risk profiles of, and invoicing conventions established by, participants operating in the various markets in which the Group operates. Interest is charged at appropriate market rates on balances which are considered overdue in the relevant market.

To the extent that recoverable amounts are estimated to be less than their associated carrying values, impairment charges have been recorded in the combined and consolidated income statement and the carrying values have been written down to their recoverable amounts. The total gross carrying value of trade receivables that were subject to impairment during the year is €64 million (2016: €102 million).

Included within the Group's aggregate trade receivables balance are specific debtor balances with customers totalling €30 million (2016: €20 million) which are past due but not impaired at the reporting date. The Group has assessed these balances for recoverability and considers that their credit quality remains intact.

An ageing analysis of net trade receivables is provided as follows:

€ million	2017	2016
Trade receivables within terms	931	857
Past due by less than one month	20	16
Past due by one to two months	3	1
Past due by two to three months	2	1
Past due by more than three months	5	2
At 31 December	**961**	**877**

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

15 Trade and other receivables

Movement in the allowance account for bad and doubtful debts

€ million	2017	2016
At 1 January	32	35
Increase in allowance recognised in combined and consolidated income statement	6	8
Amounts written-off or recovered	(5)	(11)
Currency movements	(1)	—
At 31 December	**32**	**32**

16 Trade and other payables

€ million	2017	2016
Trade payables	532	567
Capital expenditure payables	93	54
Tax and social security	56	62
Other payables	48	73
Accruals and deferred income	345	344
Total trade and other payables	**1,074**	**1,100**

The fair values of trade and other payables approximate their carrying values presented.

17 Provisions

€ million	Restructuring costs	Employee related provisions	Environmental restoration	Other	Total
At 1 January 2016	31	32	3	30	**96**
Charged to combined and consolidated income statement	17	10	1	1	**29**
Acquired through business combinations	—	—	—	1	**1**
Unwinding of discount	—	1	—	—	**1**
Released to combined and consolidated income statement	(1)	—	—	(2)	**(3)**
Amounts applied	(18)	(9)	—	(4)	**(31)**
At 31 December 2016	**29**	**34**	**4**	**26**	**93**
Charged to combined and consolidated income statement	13	7	1	11	**32**
Released to combined and consolidated income statement	(5)	(1)	—	(3)	**(9)**
Amounts applied	(14)	(7)	—	(2)	**(23)**
Currency movements	(1)	—	—	(1)	**(2)**
At 31 December 2017	**22**	**33**	**5**	**31**	**91**

Maturity analysis of total provisions on a discounted basis:

€ million	Restructuring costs	Employee related provisions	Environmental restoration	Other	2017	2016
Current	22	6	—	22	50	49
Non-current	—	27	5	9	41	44
Total provisions	**22**	**33**	**5**	**31**	**91**	**93**

Other provisions are mainly attributable to potential claims against the Group and onerous contracts, none of which are individually significant. All non-current provisions are discounted using a discount rate relevant in the local countries, based on a pre-tax yield on long-term bonds.

18 Capital management

The Group defines its capital employed as equity, as presented in the combined and consolidated statement of financial position, plus net debt.

€ million	2017	2016
Equity attributable to shareholders	3,714	3,392
Equity attributable to non-controlling interests	325	304
Total equity	**4,039**	**3,696**
Net debt (see note 25c)	**1,326**	**1,383**
Capital employed	**5,365**	**5,079**

Capital employed is managed on a basis that enables the Group to continue trading as a going concern, while delivering acceptable returns to shareholders. The Group is committed to managing its cost of capital by maintaining an appropriate capital structure, with a balance between equity and net debt.

The Group utilises its capital employed to fund the growth of the business and to finance its liquidity needs.

The primary sources of the Group's net debt include its €2.5 billion Guaranteed Euro Medium Term Note Programme, its €750 million Syndicated Revolving Credit Facility and financing from various banks and other credit agencies, thus providing the Group with access to diverse sources of debt financing.

The principal loan arrangements in place are the following:

€ million	Maturity	Interest rate %	2017	2016
Financing facilities				
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
Total committed facilities			**1,987**	**2,497**
Drawn			(1,196)	(1,685)
Total committed facilities available			**791**	**812**

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).

Short-term liquidity needs are met through the Syndicated Revolving Credit Facility.

The Group reviews its capital employed on a regular basis and makes use of several indicative ratios which are appropriate to the nature of its operations and consistent with conventional industry measures. The principal ratios used include:

- pre-tax weighted average cost of capital;
- gearing, defined as net debt divided by capital employed;
- net debt to 12-month trailing underlying EBITDA; and
- return on capital employed, defined as trailing 12-month underlying operating profit, including share of equity accounted investees' net profit/(loss), divided by trailing 12-month average capital employed. Capital employed is adjusted for spend on those strategic projects which are not yet in production.

	2017	2016
Pre-tax weighted average cost of capital (%)	10.5	10.9
Gearing (%)	24.7	27.2
Net debt to 12-month trailing underlying EBITDA (times)	0.9	1.0
Return on capital employed (%)	19.7	20.3

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

18 Capital management

In order to manage its cost of capital, maintain an appropriate capital structure and meet its ongoing cash flow needs, the Group may issue new debt instruments; adjust the level of dividends paid to shareholders; issue new shares to, or repurchase shares from, investors; or dispose of assets to reduce its net debt exposure.

The Group operates a DLC structure, the terms of which require that the capital supplied by, or made available to, the shareholders of Mondi Limited and Mondi plc be constrained by the equality of treatment mechanism. This serves to maintain and protect the economic interests of both sets of shareholders.

The Group is subject to certain exchange control conditions as agreed with the South African Ministry of Finance. These conditions do not infringe upon the Group's ability to manage optimally its capital structure. The Group has continuously met the exchange control provisions in the past and management is committed to ensuring that the Group continues to meet these provisions in the future.

19 Borrowings

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

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
Carrying value	**355**	**1,010**	**1,365**	
Fair value	**355**	**1,066**		**1,421**

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
Carrying value	**261**	**1,509**	**1,770**	
Fair value	**261**	**1,583**		**1,844**

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 maturity analysis of the Group's borrowings, presented on an undiscounted future cash flow basis, is as follows:

2017/€ million	< 1 year	1–2 years	2–5 years	> 5 years	Total[1]
Bonds	—	—	499	496	995
Bank loans and overdrafts	255	24	46	24	349
Other loans	12	4	—	5	21
Total borrowings	**267**	**28**	**545**	**525**	**1,365**
Effective interest on borrowings net of amortised costs and discounts	36	25	43	19	123
Total undiscounted cash flows	**303**	**53**	**588**	**544**	**1,488**

2016/€ million	< 1 year	1–2 years	2–5 years	> 5 years	Total[1]
Bonds	500	—	499	496	1,495
Bank loans and overdrafts	150	35	42	33	260
Other loans	1	4	1	9	15
Total borrowings	**651**	**39**	**542**	**538**	**1,770**
Effective interest on borrowings net of amortised costs and discounts	62	26	62	27	177
Total undiscounted cash flows	**713**	**65**	**604**	**565**	**1,947**

Note:
1 It has been assumed that, where applicable, interest and foreign exchange rates prevailing at the reporting date will not vary over the time periods remaining for future cash outflows

In addition to the above, the Group swaps euro and sterling debt into other currencies through the foreign exchange market as disclosed in note 29.

The Group does not have any material finance lease arrangements.

The Group has pledged specific property, plant and equipment as collateral against certain borrowings. The carrying values of these property, plant and equipment amount to €3 million (2016: €6 million). The Group is entitled to receive all cash flows from these pledged assets. Further, there is no obligation to remit these cash flows to another entity.

20 Share capital and stated capital

Number of shares	Authorised
Mondi Limited ordinary shares with no par value	250,000,000
Mondi Limited special converting shares with no par value	650,000,000

Mondi plc is not restricted in the number of shares that can be issued. Any issue of shares is subject to shareholder approval.

		Called up, allotted and fully paid/€ million		
2017 & 2016	Number of shares	Share capital	Stated capital	Total
Mondi Limited ordinary shares with no par value issued on the JSE	118,312,975	—	431	431
Mondi plc €0.20 ordinary shares issued on the LSE	367,240,805	74	—	74
Total ordinary shares in issue	**485,553,780**	**74**	**431**	**505**
Mondi Limited special converting shares with no par value	367,240,805	—	8	8
Mondi plc €0.20 special converting shares	118,312,975	24	—	24
Total special converting shares	**485,553,780**	**24**	**8**	**32**
Mondi plc €0.04 deferred shares	146,896,322	5	—	5
Total shares		**103**	**439**	**542**

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

20 Share capital and stated capital

The special converting shares are held in trust and do not carry dividend rights. These shares provide a mechanism for equality of treatment on termination of the DLC agreement for both Mondi Limited and Mondi plc ordinary shareholders. The deferred shares are held in trust and do not carry any dividend or voting rights.

Treasury shares represent the cost of shares in Mondi Limited (held by the Mondi Incentive Schemes Trust) and Mondi plc (held by the Mondi Employee Share Trust) purchased in the market to satisfy share awards under the Group's employee share schemes (see note 21). These costs are reflected in the combined and consolidated statement of changes in equity.

	Treasury shares held			
	2017		2016	
at 31 December	Number of shares held	Average price per share	Number of shares held	Average price per share
Mondi Incentive Schemes Trust				
Mondi Limited ordinary shares with no par value	349,642	ZAR243.22	676,222	ZAR228.88
Mondi Employee Share Trust				
Mondi plc €0.20 ordinary shares	869,054	GBP18.42	660,483	GBP13.36

A dividend waiver is in place in respect of shares held by the Mondi Employee Share Trust.

21 Share-based payments

Mondi share awards

The Group has established its own share-based payment arrangements to incentivise employees. Full details of the Group's share schemes are set out in the Remuneration report.

The fair values of the share awards granted under the Mondi schemes are calculated with reference to the facts and assumptions presented below:

Mondi Limited (ZAR) & Mondi plc (GBP)	BSP 2017	BSP 2016	BSP 2015
Date of grant	24 March 2017	22 March 2016	1 April 2015
Vesting period (years)	3	3	3
Expected leavers per annum (%)	5	5	5
Grant date fair value per instrument (GBP)	19.29	13.35	12.99
Grant date fair value per instrument (ZAR)	300.25	291.30	230.00
Number of shares conditionally awarded	301,175	499,943	440,848

Mondi Limited (ZAR) & Mondi plc (GBP)	LTIP 2017[1]	LTIP 2016	LTIP 2015
Date of grant	24 March 2017	22 March 2016	1 April 2015
Vesting period (years)	3	3	3
Expected leavers per annum (%)	5	5	5
Expected outcome of meeting performance criteria (%)			
ROCE component	100	100	100
TSR component	25	25	25
Grant date fair value per instrument (GBP) – Mondi plc			
ROCE component	19.52	13.35	12.99
TSR component[2]	4.88	3.34	3.25
Grant date fair value per instrument (ZAR) – Mondi Limited			
ROCE component	312.04	291.30	230.00
TSR component[2]	78.01	72.83	57.50
Number of shares conditionally awarded	554,944	690,140	647,849

Notes:

1 All participants, except the Group CEO and CFO were granted an award on 24 March 2017. The Group CEO and CFO were granted an award on 12 May 2017 after the remuneration policy approval at the Mondi Limited and Mondi plc AGMs. The weighted average grant date fair value is reflected in the table. All performance requirements are identical for all 2017 LTIP awards

2 The base fair value has been adjusted for contractually-determined market-based performance conditions

All of these schemes are settled by the award of ordinary shares in either Mondi Limited or Mondi plc. The Group has no obligation to settle the awards made under these schemes in cash. An amount equal to the dividends that would have been paid on Bonus Share Plan (BSP) and Long-Term Incentive Plan (LTIP) share awards during the holding period are paid to participants upon vesting.

The total fair value charge in respect of all the Mondi share awards for the year ended 31 December is made up as follows:

€ million	2017	2016
Bonus Share Plan	8	7
Long-Term Incentive Plan	7	6
Total share-based payment expense	**15**	**13**

The weighted average share price of share awards that vested during the period:

	2017	2016
Mondi Limited	ZAR306.79	ZAR286.31
Mondi plc	GBP18.74	GBP13.21

A reconciliation of share award movements for the Mondi share schemes is shown below:

	BSP			LTIP		
number of shares	**Mondi Ltd**	**Mondi plc**	**Total**	**Mondi Ltd**	**Mondi plc**	**Total**
At 1 January 2016	243,522	1,108,361	**1,351,883**	299,909	1,893,197	**2,193,106**
Shares conditionally awarded	72,868	427,075	**499,943**	82,832	607,308	**690,140**
Shares vested	(98,161)	(429,355)	**(527,516)**	(124,162)	(773,493)	**(897,655)**
Shares lapsed	(14,561)	(11,060)	**(25,621)**	—	(5,407)	**(5,407)**
At 31 December 2016	**203,668**	**1,095,021**	**1,298,689**	**258,579**	**1,721,605**	**1,980,184**
Shares conditionally awarded	37,913	263,262	**301,175**	60,758	494,186	**554,944**
Shares vested	(116,155)	(506,618)	**(622,773)**	(85,951)	(537,535)	**(623,486)**
Shares lapsed	(5,914)	(61,162)	**(67,076)**	(48,954)	(265,643)	**(314,597)**
At 31 December 2017	**119,512**	**790,503**	**910,015**	**184,432**	**1,412,613**	**1,597,045**

22 Retirement benefits

The Group operates post-retirement defined contribution and defined benefit pension plans for many of its employees. It also operates two post-retirement medical plans.

Defined contribution plans

The assets of the defined contribution plans are held separately in independently administered funds. The charge in respect of these plans of €14 million (2016: €14 million) is calculated on the basis of the contribution payable by the Group in the financial year. There were no material outstanding or prepaid contributions recognised in relation to these plans as at the reporting dates presented. The expected contributions to be paid to defined contribution plans during 2018 are €16 million.

Defined benefit pension plans and post-retirement medical plans

The Group operates in excess of 100 defined benefit retirement plans across its global operations. A large proportion of the Group's defined benefit plans are closed to new members.

The majority of these plans are unfunded and provide pensions and severance benefits to members of those plans.

The most significant unfunded defined benefit plans are operated in Austria, Germany and Russia and funded plans are operated primarily in the UK. These plans are established in accordance with applicable local labour legislation and/or collective agreements with participating employees.

The benefits are based on a variety of factors, the most significant of which are a combination of pensionable service and final salary. A number of these plans also provide additional benefits in the event of death in service, disability or ill-health retirement which are derived from the final salary benefit formula.

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

22 Retirement benefits

The assets of the funded plans are held separately in independently administered funds, in accordance with statutory requirements or local practice where those funds are operated. The boards of trustees of these plans are required to act in the best interest of the plans and all relevant stakeholders of the plans (active employees, inactive employees, retirees and employers), and are responsible for the investment policy with regard to the assets of the plans.

The post-retirement medical plans provide health benefits to retired employees and certain of their dependants. Eligibility for cover is dependent upon certain criteria. The South African plan is unfunded while the Austrian plan is funded. The South African plan has been closed to new participants since 1 January 1999.

Except for the actuarial risks set out below, the Group has not identified any additional specific risks in respect of these plans.

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

Investment risk (Asset volatility)	The present value of the net retirement benefit liability/asset is calculated using a discount rate determined by reference to high-quality bond yields. If the return on plan assets is below this rate, it will create a plan deficit that needs to be funded/guaranteed by the employer. Currently the plan assets have a relatively balanced investment in equity and bonds. Due to the long-term nature of the plan liabilities, the boards of trustees consider it appropriate that a reasonable portion of the plan assets should be invested in equities.
Interest risk	A decrease in the bond interest rate will increase plan liabilities, however this will be partially offset by an increase in the value of the plan's fixed rate debt instruments.
Longevity risk	The present value of the net retirement benefit liability/asset is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan liabilities.
Salary risk	The present value of the net retirement benefit liability/asset is calculated by reference to the expected future salaries of plan participants. An increase in the salary of the plan participants will increase the plan liabilities.
Medical cost inflation risk	The present value of the post-retirement medical plans is calculated by reference to expected future medical costs. An increase in medical cost inflation will increase the plan liabilities.

Independent qualified actuaries carry out full valuations every year using the projected unit credit method.

Actuarial assumptions

The weighted average principal assumptions used in the actuarial valuations are detailed below:

	2017			2016		
%	South Africa	Europe	Other regions	South Africa	Europe	Other regions
Discount rate	9.5	1.9	7.8	9.5	1.9	8.2
Rate of inflation	6.8	2.3	4.3	7.2	2.3	5.1
Rate of increase in salaries	7.8	2.8	5.5	8.2	2.0	6.0
Rate of increase of pensions in payment	—	2.9	4.0	—	2.8	3.5
Expected average increase of medical costs	8.3	3.7	—	8.7	3.9	—

The assumption for the discount rate for plan liabilities is based on AA corporate bonds, which are of a suitable duration and currency. In South Africa, the discount rate assumption has been based on the zero coupon government bond yield curve.

Mortality assumptions

The assumed remaining life expectancies on retirement at age 65 are:

	2017			2016		
years	South Africa	Europe	Other regions	South Africa	Europe	Other regions
Retiring today						
Males	16.14	14.09-22.80	15.07-20.80	16.09	14.05-22.70	15.07-21.30
Females	20.20	17.63-27.14	18.60-25.30	20.15	17.53-27.14	18.60-25.30
Retiring in 20 years						
Males	21.54	14.09-25.00	15.07-21.20	21.44	14.00-24.90	15.07-22.90
Females	25.73	17.63-27.70	18.60-25.30	25.63	14.00-27.50	18.60-25.30

The mortality assumptions have been based on published mortality tables in the relevant jurisdictions.

The amounts recognised in the combined and consolidated statement of financial position are determined as follows:

€ million	2017 South Africa	2017 Europe	2017 Other regions	2017 Total	2016 South Africa	2016 Europe	2016 Other regions	2016 Total
Present value of unfunded liabilities	(52)	(124)	(19)	(195)	(56)	(128)	(19)	(203)
Present value of funded liabilities	—	(172)	—	(172)	—	(174)	—	(174)
Present value of plan liabilities	**(52)**	**(296)**	**(19)**	**(367)**	**(56)**	**(302)**	**(19)**	**(377)**
Fair value of plan assets	—	142	—	142	—	138	—	138
Net retirement benefits liability	**(52)**	**(154)**	**(19)**	**(225)**	**(56)**	**(164)**	**(19)**	**(239)**
Amounts reported in combined and consolidated statement of financial position								
Defined benefit pension plans	—	7	—	7	—	1	—	1
Net retirement benefits asset	**—**	**7**	**—**	**7**	**—**	**1**	**—**	**1**
Defined benefit pension plans	—	(155)	(19)	(174)	—	(161)	(19)	(180)
Post-retirement medical plans	(52)	(6)	—	(58)	(56)	(4)	—	(60)
Net retirement benefits liability	**(52)**	**(161)**	**(19)**	**(232)**	**(56)**	**(165)**	**(19)**	**(240)**

The changes in the present value of defined benefit liabilities and fair value of plan assets are as follows:

€ million	Defined benefit liabilities 2017	Defined benefit liabilities 2016	Fair value of plan assets 2017	Fair value of plan assets 2016	Net liability 2017	Net liability 2016
At 1 January	(377)	(346)	138	137	(239)	(209)
Included in combined and consolidated income statement						
Current service cost	(6)	(5)	—	—	(6)	(5)
Interest	(12)	(14)	3	4	(9)	(10)
Included in combined and consolidated statement of comprehensive income						
Remeasurement gains/(losses)	1	(34)	—	—	1	(34)
Return on plan assets	—	—	8	15	8	15
Acquired through business combinations (see note 23)	—	(2)	—	—	—	(2)
Contributions paid by other members	(3)	(3)	3	3	—	—
Contributions paid by employer	—	—	3	3	3	3
Benefits paid	22	21	(9)	(9)	13	12
Currency movements	8	6	(4)	(15)	4	(9)
At 31 December	**(367)**	**(377)**	**142**	**138**	**(225)**	**(239)**

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

22 Retirement benefits

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

€ million	2017 Defined benefit pension plans	2017 Post-retirement medical plans	2017 Total	2016 Defined benefit pension plans	2016 Post-retirement medical plans	2016 Total
Less than a year	10	8	**18**	11	7	**18**
Between one and two years	10	11	**21**	10	11	**21**
Between two to five years	31	21	**52**	32	21	**53**
After five years	261	198	**459**	250	242	**492**

The weighted average duration of the defined retirement benefits liability for South Africa is 10 years (2016: 10 years), Europe 15 years (2016: 15 years) and other regions 13 years (2016: 12 years).

It is expected that the Group's share of contributions will increase as the schemes' members age. The expected contributions to be paid to defined benefit pension plans and post-retirement medical plans during 2018 are €18 million.

The market values of the plan assets in these plans are detailed below:

€ million	2017 Quoted	2017 Unquoted	2017 Total	2016 Quoted	2016 Unquoted	2016 Total
External equity	40	—	**40**	37	—	**37**
Bonds	83	—	**83**	84	—	**84**
Insurance contracts	—	17	**17**	—	16	**16**
Cash	2	—	**2**	1	—	**1**
Fair value of plan assets	**125**	**17**	**142**	**122**	**16**	**138**

The majority of the Group's plan assets are located in Austria and the UK and the following asset-liability matching/investing strategies are applied:

Austria	The investment strategy is based on Austrian Social Security Law which stipulates that investments can only be made in high-quality euro bonds or deposits in euro in highly rated financial institutions. No investments in equity or equity funds are allowed. Due to legal and market restrictions asset-liability matching is not possible.
UK	The trustees invest in diverse portfolios of pooled funds. The long-term objective is to ensure that each plan can continue to meet the benefit payments without exposing either the plan or the company to an undue level of risk. The mix of investments in each plan is determined taking into account the maturity, currency and nature of the expected benefit payments required.

There are no financial instruments or property owned by the Group included in the fair value of plan assets.

The fair values of equity, bonds and cash are determined based on quoted prices in active markets. The fair value of insurance contracts is determined in accordance with IAS 19.

The actual return on plan assets in respect of defined benefit plans was a gain of €11 million (2016: gain of €19 million).

The market value of assets is used to determine the funding level of the plans and is sufficient to cover 83% (2016: 79%) of the benefits which have accrued to members, after allowing for expected increases in future earnings and pensions. Companies within the Group are paying contributions at rates agreed with the plans' trustees and in accordance with local independent actuarial advice and statutory provisions.

In certain jurisdictions, Group plans are subject to minimum funding requirements. At 31 December 2017, these minimum funding requirements did not give rise to the recognition of any additional liabilities.

Sensitivity analyses

The sensitivity analyses below have been determined based on reasonably possible changes to the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

The sensitivity analyses may not be representative of the actual changes in the net retirement benefits asset/(liability) as it is unlikely that the changes in assumptions would occur in isolation of one another and some of the assumptions may be inter-related. The projected unit credit method was used to calculate the sensitivity analyses below.

A 1% change in the assumptions would have the following effects on the net retirement benefits plans:

€ million	1% increase	1% decrease
Discount rate		
(Decrease)/increase in current service cost	(1)	1
(Decrease)/increase in net retirement benefits liability	(49)	64
Rate of inflation		
Increase/(decrease) in current service cost	1	(1)
Increase/(decrease) in net retirement benefits liability	30	(26)
Rate of increase in salaries		
Increase/(decrease) in current service cost	1	(1)
Increase/(decrease) in net retirement benefits liability	12	(11)
Rate of increase of pensions in payment		
Decrease in current service cost	—	—
Increase/(decrease) in net retirement benefits liability	11	(9)
Medical cost trend rate		
Increase/(decrease) in aggregate of the current service cost and interest cost	1	(1)
Increase/(decrease) in net retirement benefits liability	22	(18)
Mortality rates	**1 year increase**	
Increase in current service cost	—	
Increase in net retirement benefits liability	12	

23 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 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 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 combined and consolidated income statement.

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

23 Business combinations

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

€ million	Book value	Revaluation	Fair value
Net assets acquired			
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
Total assets	**29**	**13**	**42**
Trade and other payables	(13)	1	(12)
Deferred tax liabilities	—	(3)	(3)
Total liabilities (excluding debt)	**(13)**	**(2)**	**(15)**
Short-term borrowings	(2)	—	(2)
Medium and long-term borrowings	(8)	—	(8)
Debt assumed	**(10)**	**—**	**(10)**
Net assets acquired	**6**	**11**	**17**
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)
Net cash paid per combined and consolidated statement of cash flows			**37**

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

Transaction costs of €1 million were charged to the 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.

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, as adjusted from book to fair value, are as follows:

€ million	Book value	Revaluation	Fair value
Net assets acquired			
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
Total assets	**106**	**36**	**142**
Trade and other payables	(23)	(2)	(25)
Provisions	—	(1)	(1)
Net retirement benefits liability	—	(2)	(2)
Deferred tax liabilities	—	(7)	(7)
Total liabilities (excluding debt)	**(23)**	**(12)**	**(35)**
Short-term borrowings	(17)	—	(17)
Medium and long-term borrowings	(19)	—	(19)
Debt assumed	**(36)**	**—**	**(36)**
Net assets acquired	**47**	**24**	**71**
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)
Net cash paid per combined and consolidated statement of cash flows			**162**

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

23 Business combinations

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

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

24 Assets held for sale

€ million	2017	2016
Property, plant and equipment	1	1

25 Consolidated cash flow analysis

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

€ million	2017	2016
Profit before tax	**887**	**843**
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)
Cash generated from operations	**1,325**	**1,401**

(b) Cash and cash equivalents

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

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.

(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	**38**	(222)	(1,319)	5	**(1,536)**	**(1,498)**
Cash flow	345	—	**345**	152	(335)	—	**(183)**	**162**
Acquired through business combinations	—	—	**—**	(17)	(19)	—	**(36)**	**(36)**
Movement in unamortised loan costs	—	—	**—**	—	(2)	—	**(2)**	**(2)**
Net movement in derivative financial instruments	—	—	**—**	—	—	(23)	**(23)**	**(23)**
Reclassification[1]	—	—	**—**	(541)	547	—	**6**	**6**
Currency movements	(4)	—	**(4)**	4	9	(1)	**12**	**8**
At 31 December 2016	**377**	**2**	**379**	**(624)**	**(1,119)**	**(19)**	**(1,762)**	**(1,383)**
Cash flow	(439)	(1)	**(440)**	480	(14)	—	**466**	**26**
Acquired through business combinations (see note 23)	—	(1)	**(1)**	(2)	(8)	—	**(10)**	**(11)**
Movement in unamortised loan costs	—	—	**—**	—	(2)	—	**(2)**	**(2)**
Net movement in derivative financial instruments	—	—	**—**	—	—	20	**20**	**20**
Reclassification	—	1	**1**	(32)	32	—	**—**	**1**
Currency movements	(4)	—	**(4)**	15	13	(1)	**27**	**23**
At 31 December 2017	**(66)**	**1**	**(65)**	**(163)**	**(1,098)**	**—**	**(1,261)**	**(1,326)**

Note:

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

26 Capital commitments

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

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
Total capital commitments	**1,938**	**1,738**

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
Total capital commitments	**1,938**	**1,738**

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.

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

27 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 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.

28 Operating leases

Lease agreements

The principal operating lease agreements in place include the following:

South African land lease

The Group entered into a land lease agreement on 1 January 2001 for a total term of 70 years. The operating lease commitment and annual escalation rate is renegotiated every five years. The lease does not contain any clauses with regard to contingent rent or an option to purchase the land at the end of the lease term, and does not impose any significant restrictions on the Group as a lessee. There are 53 years remaining on the lease.

Russian forestry leases

The forestry lease agreements were entered into by the Group on 1 November 2007 for a total term of 47 years, on 30 June 2008 for a total term of 49 years and on 10 March 2015 for a total term of 49 years. The leases are not renewable. Rental escalates on an annual basis by the consumer price inflation of the local jurisdiction. The leases do not contain any clauses with regard to contingent rent or options to purchase the forestry assets at the end of the lease term, and do not impose any significant restrictions on the Group as a lessee.

Office building

The Group entered into an office building lease agreement for a total term of 20 years from October 2013. The lease may be terminated upon six months' notice to September 2023 and again to September 2028. Rent escalates on an annual basis by the consumer price index of the local jurisdiction. The lease does not contain any option to purchase the building at the end of the lease term and does not impose any significant restrictions on the Group as a lessee. Contingent rent is included in the Group as a lease charge and calculated at the consumer price index.

Other

The Group has entered into approximately 1,759 (2016: 1,120) other lease agreements, none of which are individually significant.

The operating lease expense that has been recorded in the Group's combined and consolidated income statement is €46 million (2016: €38 million).

As at 31 December, the Group had the following outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017		2016	
€ million	**Forestry assets**	**Land, buildings and other assets**	**Forestry assets**	**Land, buildings and other assets**
Within one year	12	30	5	26
One to two years	11	30	5	19
Two to five years	32	39	14	37
After five years	229	33	134	23
Total operating leases	**284**	**132**	**158**	**105**

29 Financial instruments

The Group's trading and financing activities expose it to various financial risks that, if left unmanaged, could adversely impact current or future earnings. Although not necessarily mutually exclusive, these financial risks are categorised separately according to their different generic risk characteristics and include market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group is actively engaged in the management of all of these financial risks in order to minimise their potential adverse impact on the Group's financial performance.

The principles, practices and procedures governing the Group-wide financial risk management process have been approved by the Boards and are overseen by the DLC executive committee. In turn, the DLC executive committee delegates authority to a central treasury function (Group treasury) for the practical implementation of the financial risk management process across the Group and for ensuring that the Group's entities adhere to specified financial risk management policies. Group treasury continually reassesses and reports on the financial risk environment; identifying, evaluating and hedging financial risks by entering into derivative contracts with counterparties where appropriate. The Group does not take speculative positions on derivative contracts.

(a) Financial instruments by category

2017/€ million	Fair value hierarchy	Loans and receivables	At fair value through profit or loss	At fair value through OCI	Available-for-sale investments	Total
Financial assets						
Trade and other receivables[1]		993	—	—	—	993
Financial asset investments	Level 2	6	—	—	18	24
Derivative financial instruments	Level 2	—	10	3	—	13
Cash and cash equivalents		38	—	—	—	38
Total		**1,037**	**10**	**3**	**18**	**1,068**

2016/€ million	Fair value hierarchy	Loans and receivables	At fair value through profit or loss	At fair value through OCI	Available-for-sale investments	Total
Financial assets						
Trade and other receivables[1]		935	—	—	—	935
Financial asset investments	Level 2	7	—	—	20	27
Derivative financial instruments	Level 2	—	6	—	—	6
Cash and cash equivalents		404	—	—	—	404
Total		**1,346**	**6**	**—**	**20**	**1,372**

Note:
1 Excludes tax, social security, prepayments and accrued income

The fair values of available-for-sale investments represent the published prices of the securities concerned. Loans and receivables are held at amortised cost. The fair value of loans and receivables approximate the carrying values presented.

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

29 Financial instruments

2017/€ million	Fair value hierarchy	At fair value through profit or loss	At fair value through OCI	At amortised cost	Total
Financial liabilities					
Borrowings – bonds	Level 1	—	—	(995)	(995)
Borrowings – loans and overdrafts	Level 2	—	—	(370)	(370)
Trade and other payables[1]		—	—	(673)	(673)
Derivative financial instruments	Level 2	(8)	—	—	(8)
Other non-current liabilities	Level 2/3	—	—	(19)	(19)
Total		**(8)**	**—**	**(2,057)**	**(2,065)**

2016/€ million	Fair value hierarchy	At fair value through profit or loss	At fair value through OCI	At amortised cost	Total
Financial liabilities					
Borrowings – bonds	Level 1	—	—	(1,495)	(1,495)
Borrowings – loans and overdrafts	Level 2	—	—	(275)	(275)
Trade and other payables[1]		—	—	(694)	(694)
Derivative financial instruments	Level 2	(5)	(18)	—	(23)
Other non-current liabilities	Level 2/3	(9)	—	(17)	(26)
Total		**(14)**	**(18)**	**(2,481)**	**(2,513)**

Note:
1 Excludes tax, social security, accruals and deferred income

(b) Fair value measurement

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

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

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

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.

(c) Financial risk management

Market risk

The Group's activities expose it primarily to foreign exchange and interest rate risk. Both risks are actively monitored on a regular basis and managed through the use of foreign exchange contracts and interest rate swaps as appropriate. Although the Group's cash flows are exposed to movements in key input and output prices, such movements represent commercial rather than financial risk inherent to the Group.

Foreign exchange risk

The Group operates globally and is exposed to foreign exchange risk in the normal course of its business. Multiple currency exposures arise from commercial transactions denominated in foreign currencies, recognised financial assets and liabilities (monetary items) denominated in foreign currencies and translational exposure on net investments in foreign operations.

Foreign exchange contracts

The Group's treasury policy requires subsidiaries to actively manage foreign currency transactional exposures against their functional currencies by entering into foreign exchange contracts. For segmental reporting purposes, each subsidiary enters into, and accounts for, foreign exchange contracts with Group treasury or with counterparties that are external to the Group, whichever is more commercially appropriate.

Only material balance sheet exposures and highly probable forecast capital expenditure transactions are hedged.

Foreign currency sensitivity analysis

Foreign exchange risk sensitivity analysis has been performed on the foreign currency exposures inherent in the Group's financial assets and financial liabilities at the reporting dates presented, net of related foreign exchange contracts. The sensitivity analysis provides an indication of the impact on the Group's reported earnings of reasonably possible changes in the currency exposures embedded within the functional currency environments that the Group operates in. In addition, an indication is provided of how reasonably possible changes in foreign exchange rates might impact on the Group's equity, as a result of fair value adjustments to foreign exchange contracts designated as cash flow hedges. Reasonably possible changes are based on an analysis of historical currency volatility, together with any relevant assumptions regarding near-term future volatility.

Net monetary foreign currency exposures by functional currency zone

	Net monetary foreign currency exposures – assets/(liabilities)[1]			
	2017		2016	
€ million	EUR	Other	EUR	Other
Functional currency zones[2]				
Euro	—	1	—	7
South African rand	(3)	(1)	(2)	(1)
Czech koruna	(11)	—	5	—
Polish zloty	(11)	3	(16)	2
Russian rouble	(18)	(3)	(16)	(1)
Swedish krona	(10)	—	(17)	—
Turkish lira	(4)	(1)	(5)	—
Other	(37)	14	(24)	15

Notes:

1 Presented in euro, the presentation currency of the Group

2 Net monetary exposures represent financial assets less financial liabilities denominated in currencies other than the applicable functional currency, adjusted for the effects of foreign exchange risk hedging, excluding cash flow hedging of non-monetary assets and liabilities

Resultant impacts of reasonably possible changes to foreign exchange rates

The Group considers that for each functional to foreign currency net monetary exposure it is reasonable to assume a 5% appreciation/depreciation of the functional currency. If all other variables are held constant, the table below presents the impacts on the Group's combined and consolidated income statement if these currency movements had occurred.

	Income/(expense)			
	2017		2016	
€ million	+5%	-5%	+5%	-5%
Functional currency zones				
Czech koruna	1	(1)	—	—
Swedish krona	1	(1)	1	(1)
Polish zloty	—	—	1	(1)
Russian rouble	1	(1)	1	(1)
Other	1	(1)	—	—

The corresponding fair value impact on the Group's equity, resulting from the application of these reasonably possible changes to the valuation of the Group's foreign exchange contracts designated as cash flow hedges, would have been €4 million (2016: €3 million). It has been assumed that changes in the fair value of foreign exchange contracts designated as cash flow hedges of non-monetary assets and liabilities are fully recorded in equity and that all other variables are held constant.

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

29 Financial instruments

Interest rate risk

The Group holds cash and cash equivalents, which earn interest at a variable rate and has variable and fixed rate debt in issue. Consequently, the Group is exposed to interest rate risk. Although the Group has fixed rate debt in issue, the Group's accounting policy stipulates that all borrowings be held at amortised cost. As a result, the carrying value of fixed rate debt is not sensitive to changes in credit conditions in the relevant debt markets and there is, therefore, no exposure to fair value interest rate risk.

Management of cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term highly liquid investments which have a maturity of three months or less from the date of acquisition. Centralised cash pooling arrangements are in place, which ensure that cash is utilised most efficiently for the ongoing working capital needs of the Group's operating units and, in addition, to ensure that the Group earns the most advantageous rates of interest available.

Management of variable rate debt

The Group has multiple variable rate debt facilities, of which the most significant is the Syndicated Revolving Credit Facility (see note 18). When deemed necessary, Group treasury uses interest rate swaps to hedge certain exposures to movements in the relevant interbank lending rates, primarily the London Interbank Offered Rate (LIBOR) and the Johannesburg Interbank Agreed Rate (JIBAR).

The Group's cash and cash equivalents act as a natural hedge to movements in the relevant interbank lending rates on its variable rate debt, subject to any interest rate differentials that exist between the Group's corporate saving and lending rates.

Net variable rate debt sensitivity analysis

The net variable rate exposure represents variable rate debt less the future cash outflows swapped from variable-to-fixed via interest rate swap instruments and cash and cash equivalents. Reasonably possible changes in interest rates have been applied to the net variable rate exposure, denominated by currency, in order to provide an indication of the possible impact on the Group's combined and consolidated income statement.

Interest rate risk sensitivities on variable rate debt

	Interest rate risk exposures					
	2017			2016		
€ million	**EUR**	**Other**	**Total**	**EUR**	**Other**	**Total**
Total debt	1,128	237	1,365	1,627	143	1,770
Less:						
Fixed rate debt	(999)	(11)	(1,010)	(1,498)	(11)	(1,509)
Cash and cash equivalents	(6)	(32)	(38)	(340)	(64)	(404)
Net variable rate debt and exposure	**123**	**194**	**317**	**(211)**	**68**	**(143)**

Included in other is net variable exposure to various currencies, the most significant of which are ZAR and TRY (2016: ZAR and TRY).

The Group did not have any outstanding interest rate swaps at 31 December 2017.

The potential impact on the Group's combined and consolidated equity resulting from the application of +50 basis points to the variable interest rate exposure would be a loss of €2 million (2016: gain of €1 million) and vice versa for a -50 fall in basis points.

In addition to the above, 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 the interest rates of these currencies. The currencies swapped into/(out of) and the amounts as at 31 December were as follows:

€ million	2017	2016
Short-dated contracts with tenures of less than 12 months		
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
Total swapped	**607**	**798**

Credit risk

The Group's credit risk is mainly confined to the risk of customers defaulting on sales invoices raised. The Group's exposure to the credit risk inherent in its trade receivables and the associated risk management techniques that the Group deploys in order to mitigate this risk are discussed in note 15.

Several Group entities have also issued certain financial guarantees to external counterparties in order to achieve competitive funding rates for specific debt agreements entered into by other Group entities. None of these financial guarantees contractually obligates the Group to pay more than the recognised financial liabilities in the entities concerned. As a result, these financial guarantee contracts have no bearing on the credit risk profile of the Group as a whole.

Liquidity risk

Liquidity risk is the risk that the Group could experience difficulties in meeting its commitments to creditors as financial liabilities fall due for payment. The Group manages its liquidity risk by using reasonable and retrospectively assessed assumptions to forecast the future cash-generative capabilities and working capital requirements of the businesses it operates and by maintaining sufficient reserves, committed borrowing facilities and other credit lines as appropriate.

The following table shows the amounts available to draw down on the Group's committed loan facilities:

€ million	2017	2016
Expiry date		
Within one year	58	62
Two to five years	733	750
Total credit available (see note 18)	**791**	**812**

Forecast liquidity represents the Group's expected cash inflows, principally generated from sales made to customers, less the Group's expected cash outflows, principally related to the payment of employees, supplier payments and the repayment of borrowings plus the payment of any interest accruing thereon. The matching of these cash inflows and outflows rests on the expected ageing profiles of the underlying assets and liabilities.

Short-term financial assets and financial liabilities are primarily represented by the Group's trade receivables and trade payables. The matching of the cash flows that result from trade receivables and trade payables typically takes place over a period of three to four months from recognition in the combined and consolidated statement of financial position and is managed to ensure the ongoing operating liquidity of the Group.

Financing cash outflows may be longer-term in nature. The Group does not hold long-term financial assets to match against these commitments, but is significantly invested in long-term non-financial assets which generate the sustainable future cash inflows, net of future capital expenditure requirements, needed to service and repay the Group's borrowings.

(d) Derivative financial instruments

Derivative financial instruments are carried at fair value. At 31 December 2017, the Group recognised total derivative assets of €13 million (2016: €6 million) and derivative liabilities of €8 million (2016: €23 million). The full net asset of €5 million (2016: net liability of €17 million) will mature within one year.

The notional amount of €1,605 million (2016: €1,149 million) is the aggregate face value of all derivatives outstanding at the reporting date. They do not indicate the contractual future cash flows of the derivative instruments held or their current fair value and, therefore, do not indicate the Group's exposure to credit or market risks. Of the €1,605 million (2016: €1,149 million) aggregate notional amount, €1,305 million (2016: €970 million) relates to the economic hedging of foreign exchange exposures on short-term inter-company funding balances, which are fully eliminated on consolidation.

Hedging

Cash flow hedges

The Group designates certain derivative financial instruments as cash flow hedges. The fair value gains/(losses) are reclassified from the cash flow hedge reserve to profit and loss in the period when the hedged transaction affects profit and loss. For non-current non-financial assets, these gains/(losses) are included in the carrying value of the asset and depreciated over the same useful life as the cost of the asset.

No fair value gains/(losses) (2016: gains of €1 million) were reclassified from the cash flow hedge reserve to property, plant and equipment during the current year. There was no ineffectiveness recognised in profit or loss arising on cash flow hedges for both years presented.

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

30 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 and are not disclosed in this note.

	Associates	
€ million	**2017**	**2016**
Sales to related parties	22	16
Purchases from related parties	194	186
Receivables due from related parties	2	2
Payables due to related parties	30	32

Compensation for the Boards and key management

In accordance with IAS 24, 'Related Party Disclosures', key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, and includes directors (both executive and non-executive) of Mondi Limited and Mondi plc. The Boards and those members of the DLC executive committee who are not directors comprise the key management personnel of the Group. The remuneration of the directors is disclosed in the Remuneration report.

€ million	2017	2016
Salaries and short-term employee benefits	8.5	7.3
Non-executive directors	1.1	1.1
Defined contribution plan payments	0.9	0.9
Social security costs	1.2	1.2
Share-based payments	6.6	5.1
Total	**18.3**	**15.6**

The information presented in the table above, in conjunction with the audited information included in the Remuneration report, satisfies the disclosure requirements of the Companies Act of South Africa 2008 Section 30(4) to (6) with regard to the remuneration of prescribed officers of the Group.

Details of the transactions between the Group and its pension and post-retirement medical plans are disclosed in note 22.

31 Group companies

Composition of the Group

The subsidiaries of the Group as at 31 December 2017 are set out in note 6 of the Mondi Limited parent company financial statements and note 9 of the Mondi plc parent company financial statements. All of these interests are combined and consolidated within the Group's financial statements.

The Group has no material joint ventures or associates.

Refer to Mondi's global footprint on pages 8 and 9 for more information on the places of operation.

Details of non-wholly-owned subsidiaries

	Proportion of ownership interests and voting rights held by non-controlling interests		Profit attributable to non-controlling interests		Equity attributable to non-controlling interests	
€ million	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Mondi SCP a.s.[1]	49	49	32	45	263	245
Individually immaterial subsidiaries with non-controlling interests[1]			11	3	62	59
Total			**43**	**48**	**325**	**304**

Note:

1 Mondi SCP a.s. disclosure for 2016 has been restated to include its Austrian subsidiaries Mondi Neusiedler GmbH and Ybbstaler Zellstoff GmbH, which were previously included within individually immaterial subsidiaries with non-controlling interests

Summarised financial information of the Group's material non-controlling interest is as follows:

Mondi SCP a.s.[1]

€ million	2017	2016
Statement of financial position		
Non-current assets	503	514
Current assets	343	298
Current liabilities	(220)	(214)
Non-current liabilities	(80)	(89)
Net assets	**546**	**509**
Equity attributable to owners of the company	283	264
Equity attributable to non-controlling interests	263	245
Income statement and statement of comprehensive income		
Revenue	770	722
Operating costs (including taxation)	(699)	(631)
Profit for the year	**71**	**91**
Attributable to owners of the company	39	46
Attributable to non-controlling interests	32	45
Profit and total comprehensive income for the year	**71**	**91**
Dividends paid to non-controlling interests	**20**	**29**
Statement of cash flows		
Net cash inflow from operating activities	111	156
Net cash outflow from investing activities	(37)	(46)
Net cash outflow from financing activities	(34)	(83)
Net cash inflow	**40**	**27**

Note:

1 Mondi SCP a.s. disclosure for 2016 has been restated to include its Austrian subsidiaries Mondi Neusiedler GmbH and Ybbstaler Zellstoff GmbH, being a sub-consolidation of Mondi SCP a.s.

The summarised financial information represents amounts before intra-group eliminations.

32 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 nominal commercial terms for such a facility. The facility will be used for general corporate purposes.

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

33 Accounting policies

Basis of consolidation

The combined and consolidated financial statements incorporate the revenues, expenses, assets, liabilities, equity and cash flows of Mondi Limited and Mondi plc, and of their respective subsidiaries (together the Group), and the Group's share of equity accounted investees drawn up to 31 December each year. All intra-group balances and transactions are eliminated.

A subsidiary is an entity over which the Group has control. Control is evident where the Group is exposed to, or has rights to, variable returns from its involvement with that entity and has the ability to affect those returns through its power over that entity. The results of subsidiaries acquired or disposed of during the years presented are included in the combined and consolidated income statement from the effective date of acquiring control or up to the effective date of disposal.

Non-controlling interests are measured, at initial recognition, as the non-controlling proportion of the fair values of the assets and liabilities recognised at acquisition.

After initial recognition, non-controlling interests are measured as the aggregate of the value at initial recognition and their subsequent proportionate share of profits and losses less any distributions made.

Changes in the Group's interests in subsidiaries that do not result in a change in control are accounted for as equity transactions. Any resulting difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration payable or receivable is recognised directly in equity and attributed to the shareholders.

Foreign currency transactions and translation

Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the entity that has undertaken the transaction using the exchange rates ruling on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the reporting date. Gains and losses arising on translation are included in the combined and consolidated income statement and are classified as either operating or financing consistent with the nature of the monetary item giving rise to them.

Translation of overseas operations

The Group's results are presented in euro, the currency in which most of its business is conducted. On consolidation, the assets and liabilities of the Group's overseas operations are translated into the presentation currency of the Group at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the month in which they occur where these approximate the rates on the dates of the underlying transactions. Exchange differences, if any, are recognised directly in other comprehensive income, and accumulated in equity. Such translation differences are reclassified to profit and loss only on disposal or partial disposal of the overseas operation.

Fair value measurement

Assets and liabilities that are measured at fair value, or where the fair value of financial instruments has been disclosed in notes to the 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 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 13, certain assets acquired or liabilities assumed in business combinations, and put options held by non-controlling interests.

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

Specific valuation methodologies used to value financial instruments include:

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

Segmental reporting (note 2)

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.

Measurement of operating segment revenues, profit and loss, assets and non-current non-financial assets

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

The operating segment measures adhere to the recognition and measurement criteria presented in the Group's accounting policies and are presented on an underlying basis, excluding special items. The Group has presented certain non-IFRS measures by segment to supplement the user's understanding. All intra-group transactions are conducted on an arm's length basis.

The Group's measure of net segment assets includes the allocation of net retirement benefits assets and liabilities. The measure of segment results exclude, however, the financing effects of the Group's defined benefit retirement plans. In addition, the Group's measure of net segment assets does not include an allocation for derivative assets and liabilities, non-operating receivables and payables and assets held for sale and associated liabilities. The measure of segment results includes the effects of certain movements in these unallocated balances.

There has been no change in the basis of measurement of segment profit and loss in the financial year.

Revenue recognition

Sale of goods (note 2)

Revenue is derived principally from the sale of goods and is measured at the fair value of the consideration received or receivable, after deducting discounts, volume rebates, value added tax and other sales taxes. A sale is recognised when the significant risks and rewards of ownership have been transferred to the customer. This is when title and insurance risk have passed to the customer which is typically when the goods have been delivered to a contractually agreed location.

Other income

Sale of green energy and CO_2e credits (note 14)

Income generated from the sale of green energy and CO_2e credits issued under international trading schemes is measured at the consideration received in exchange for transferring such credits. The income is recorded within other net operating expenses in the combined and consolidated income statement when ownership rights pass to the buyer. Any unsold green energy credits are recorded in inventory.

Investment income (note 6)

Interest income, which is derived from cash and cash equivalents and other interest-bearing financial assets, is accrued on a time proportion basis, by reference to the principal outstanding and at the applicable effective interest rate. Interest income is included in net finance costs.

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

33 Accounting policies

Taxation (note 7)

The tax expense represents the sum of the current tax charge and the movement in deferred tax.

Current tax

The current tax charge is based on taxable profit for the year. The Group's asset/liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date. The Group is regularly subjected to routine tax audits. Provision is made based on the tax laws in the relevant country and the expected outcomes of any negotiations or settlements.

The Group is subject to corporate taxes in a number of jurisdictions and a degree of estimation and judgement is required in determining the appropriate tax provision for transactions where the tax treatment is uncertain. In these circumstances, the Group recognises provisions for taxes based on information available where the anticipated liability is both probable and estimable.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amount of assets and liabilities in the Group's combined and consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition, other than in a business combination, of other assets and liabilities in a transaction that affects neither the tax profit nor accounting profit.

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

The carrying amount of deferred tax assets is reviewed at each reporting date. The carrying amount is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered within a reasonable period of time. Similarly, it is increased to the extent that it becomes probable that sufficient taxable profit will be available in the future for all or part of the deferred tax asset to be recovered within a reasonable period of time.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted and are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to the combined and consolidated income statement, except when it relates to items charged or credited directly to other comprehensive income and accumulated in equity, in which case the deferred tax is also taken directly to other comprehensive income and accumulated in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The Group applies the initial recognition exemption model to account for any investment tax credits. Deferred tax is not recognised for temporary differences relating to investment tax credits due to the availability of the initial recognition exemption.

Earnings per share (EPS) (note 8)

Basic EPS

Basic EPS is calculated by dividing net profit attributable to ordinary shareholders by the weighted average number of the sum of ordinary Mondi Limited and Mondi plc shares in issue during the year, net of treasury shares.

Diluted EPS

For diluted EPS, the weighted average number of the sum of Mondi Limited and Mondi plc ordinary shares in issue, net of treasury shares, is adjusted to assume conversion of all dilutive potential ordinary shares. At present these only include share awards granted to employees. Potential or contingent share issues are treated as dilutive when their conversion to shares would decrease EPS.

Non-current non-financial assets excluding goodwill, deferred tax and net retirement benefits asset

Property, plant and equipment (note 10)

Property, plant and equipment principally comprise land and buildings, plant and equipment and assets in the course of construction.

Property, plant and equipment is stated at cost less accumulated depreciation and impairment. Land and assets in the course of construction are carried at cost less impairment. Cost includes site preparation, the purchase price of the equipment and directly attributable labour and installation costs. Borrowing costs are capitalised on qualifying assets. The capitalisation of costs ceases when the asset is in the location and condition necessary for it to be capable of commercial operation. Start-up and ongoing maintenance costs are not capitalised.

Depreciation is charged to the combined and consolidated income statement so as to write off the cost of assets, other than land and assets in the course of construction, over their estimated useful lives on a straight-line basis to their estimated residual values. Residual values and useful lives are reviewed at least annually. Depreciation commences when the assets are ready for their intended use. Estimated useful lives range from three years to 20 years for items of plant and equipment and other categories and to a maximum of 50 years for buildings.

Intangible assets and research and development expenditure (note 12)

Intangible assets are measured initially at purchase consideration and are amortised on a straight-line basis over their estimated useful lives. Estimated useful lives vary between three years and 10 years and are reviewed at least annually.

Research expenditure is expensed in the year in which it is incurred. Development costs are capitalised when the completion of the asset is both commercially and technically feasible and are amortised on a systematic basis over the economic life of the related development. Development costs are recognised immediately as an expense if they do not qualify for capitalisation.

Impairment of property, plant and equipment and intangible assets

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated. If the recoverable amount of an asset, or cash-generating unit (CGU) to which the asset relates, is less than its carrying amount, the carrying amount of the asset, or CGU, is reduced to its recoverable amount and an impairment recognised as an expense.

The recoverable amount of the asset, or CGU, is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the smallest CGU to which the asset belongs.

Where the underlying circumstances change such that a previously recognised impairment subsequently reverses, the carrying amount of the asset, or CGU, is increased to the revised estimate of its recoverable amount. Such a reversal is limited to the carrying amount that would have been determined had no impairment been recognised for the asset, or CGU, in prior years. A reversal of an impairment is recognised in the combined and consolidated income statement.

Agriculture – owned forestry assets (note 13)

Owned forestry assets are measured at fair value less costs to sell, calculated by applying the expected selling price, less costs to harvest and deliver, to the estimated volume of timber on hand at each reporting date. The fair value less costs to sell is determined using a market approach. The estimated volume of timber on hand is determined based on the maturity profile of the area under afforestation, the species, the geographic location and other environmental considerations and excludes future growth. The product of these is then adjusted for risks associated with forestry assets.

Changes in fair value are recognised in the combined and consolidated income statement within other net operating expenses. At point of felling, the carrying value of forestry assets is transferred to inventory.

Directly attributable costs incurred during the year of biological growth and investments in standing timber are capitalised and presented within cash flows from investing activities.

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

33 Accounting policies

Business combinations (note 23)

Identifiable net assets

At the date of acquisition the identifiable assets, liabilities and contingent liabilities of a subsidiary or equity accounted investee are recorded at their fair values on acquisition date. Assets and liabilities which cannot be measured reliably are recorded at provisional fair values, which are finalised within 12 months of the acquisition date.

Cost of a business combination

The cost of a business combination includes the fair value of assets provided, liabilities incurred or assumed, and any equity instruments issued by a Group entity, in exchange for control of an acquiree. The directly attributable costs associated with a business combination are expensed as incurred.

Goodwill (note 11)

Any excess of the cost of the acquisition over the fair values of the identifiable net assets acquired is attributed to goodwill. Goodwill is subsequently measured at cost less any impairment.

Impairment of goodwill

Goodwill arising on business combinations is allocated to the group of CGUs that is expected to benefit from the synergies of the combination and represents the lowest level at which goodwill is monitored for internal management purposes. The recoverable amount of the CGU to which goodwill has been allocated is tested for impairment annually in the fourth quarter of each financial year and when events or changes in circumstances indicate that it may be impaired.

The recoverable amount of a CGU is determined based on value-in-use calculations. Value-in-use calculations use cash flow projections based on financial budgets covering a three-year period that are based on the latest forecasts for revenue and costs as approved by the Boards. Projected revenues and costs are determined taking into consideration relevant industry forecasts for individual product lines, management's projections, historical performance and announced industry capacity changes.

Cash flow projections beyond three years are based on internal management projections. Growth rates in the countries in which the Group operates are determined with reference to published gross domestic product information, and for specific product lines are determined with reference to published industry studies.

The discount rate is determined as the Group's weighted average cost of capital using published market data and published borrowing rates and adjusted for country risk and tax.

Any impairment is recognised in the combined and consolidated income statement. Impairments of goodwill are not subsequently reversed.

Current non-financial assets

Inventory (note 14)

Inventory is valued at the lower of cost and net realisable value. Cost is determined on the first-in-first-out (FIFO) or weighted average cost basis, as appropriate. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is defined as the selling price less any estimated costs of disposal.

Assets held for sale (note 24)

Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs of disposal from the date on which these conditions are met.

Any resulting impairment is reported in the combined and consolidated income statement. On classification as held for sale, the assets are no longer depreciated or amortised. Comparative amounts are not adjusted.

Provisions (note 17)

Provisions are recognised when the Group has a present obligation as a result of a past event, which it is probable it will be required to settle. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value using country specific discount rates for periods matching the duration of the underlying liability where the effect of discounting is material.

Equity instruments

Treasury shares (note 20)

The purchase by any Group entity of either Mondi Limited's or Mondi plc's equity instruments results in the recognition of treasury shares. The consideration paid or payable is deducted from equity. Where treasury shares are subsequently sold, reissued or otherwise disposed of, any consideration received or receivable is included in equity attributable to the shareholders of either Mondi Limited or Mondi plc, net of any directly attributable incremental transaction costs and the related tax effects.

Dividend payments (note 9)

Dividend distributions to Mondi Limited's and Mondi plc's ordinary shareholders are recognised as a liability when the dividends are declared and approved. Final dividends are accrued when approved by both Mondi Limited's and Mondi plc's ordinary shareholders at their respective Annual General Meetings and interim dividends are recognised when approved by the Boards.

Share-based payments (note 21)

The Group operates a number of equity-settled, share-based compensation schemes. The fair value of the employee services received in exchange for the grant of share awards is recognised concurrently as an expense and an adjustment to equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share awards granted, as adjusted for market performance conditions and non-market vesting conditions. Vesting conditions are included in assumptions about the number of awards that are expected to vest. At each reporting date, the Group revises its estimates of the number of share awards that are expected to vest as a result of changes in non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the combined and consolidated income statement, with a corresponding adjustment to equity.

Financial instruments (note 29)

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

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

Cash and cash equivalents (note 25b)

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments of a maturity of three months or less from the date of acquisition that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. Bank overdrafts are shown within short-term borrowings in current liabilities in the combined and consolidated statement of financial position. Cash and cash equivalents in the combined and consolidated statement of cash flows and in the presentation of net debt are net of overdrafts.

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

33 Accounting policies

Trade receivables and payables (notes 15 and 16)

Trade receivables and payables are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest rate method. Trade receivables are reduced by an allowance for impairment.

Put options held by non-controlling interests (note 29)

Written put options on the shares of a subsidiary held by non-controlling interests give rise to a financial liability for the present value of the expected redemption amount. The liability that may become payable under the arrangement is initially recognised at fair value with a corresponding entry directly in equity. Subsequent changes to the fair value of the liability are recognised in the combined and consolidated income statement.

Borrowings (note 19)

Interest bearing loans and overdrafts are initially recognised at fair value, net of direct transaction costs. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the combined and consolidated income statement over the term of the borrowings using the effective interest rate method.

Borrowing costs (note 6)

Interest on borrowings directly relating to the acquisition, construction or production of qualifying assets is capitalised until such time as the assets are substantially ready for their intended use or sale. Where funds have been borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the construction period.

All other borrowing costs are recognised in the combined and consolidated income statement in the period in which they are incurred.

Derivative financial instruments and hedge accounting (note 29d)

The Group enters into forward, option and swap contracts in order to hedge its exposure to foreign exchange, interest rate and commodity price risks.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and subsequently measured at fair value in the combined and consolidated statement of financial position within derivative financial instruments.

Changes in the fair value of derivative instruments that are not formally designated in hedge relationships are recognised immediately in the combined and consolidated income statement and are classified within operating profit or net finance costs, depending on the type of risk to which the derivative relates.

Cash flow hedges

The effective portion of changes in the fair value of derivative financial instruments that are designated as hedges of future cash flows are recognised directly in other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in the combined and consolidated income statement. If the cash flow hedge of a forecast transaction results in the recognition of a non-financial asset then, at the time the asset is recognised, the associated gains or losses on the derivative that had previously been recognised in the Group's cash flow hedge reserve in equity are included in the initial measurement of the asset. For hedges that do not result in the recognition of a non-financial asset, amounts deferred in the Group's cash flow hedge reserve in equity are recognised in the combined and consolidated income statement in the same period in which the hedged item affects profit and loss on a proportionate basis.

Hedge accounting is discontinued when the hedge relationship is revoked or the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity remains in equity and is recognised in the combined and consolidated income statement when the forecast transaction is ultimately recognised. If a hedge transaction is no longer expected to occur, the net cumulative gain or loss deferred in equity is included immediately in the combined and consolidated income statement.

Retirement benefits (note 22)

The Group operates defined benefit pension plans and defined contribution pension plans for the majority of its employees as well as post-retirement medical plans.

Defined contribution plans

For defined contribution plans, the amount charged to the combined and consolidated income statement is the contributions paid or payable during the reporting period.

Defined benefit pension plans and post-retirement medical plans

For defined benefit pension and post-retirement medical plans, actuarial valuations are performed at each financial year end using the projected unit credit method. The average discount rate for the plans' liabilities is based on investment grade rated corporate bonds or similar government bonds of a suitable duration and currency. Plans' assets are measured using market values at the end of the reporting period.

The net retirement benefits liability recognised in the combined and consolidated statement of financial position represents the present value of the defined benefit liability as reduced by the fair value of any plan assets.

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

Remeasurements comprising actuarial gains and losses and the return on plan assets (after recognising the net finance charge) are charged or credited to equity in other comprehensive income, net of deferred tax, in the reporting period in which they occur. Remeasurements recorded in other comprehensive income are not recycled to the combined and consolidated income statement, but those amounts recognised in other comprehensive income may be transferred within equity.

Leases (note 28)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Group has no material finance lease arrangements.

Rental costs under operating leases are charged to the combined and consolidated income statement in equal annual amounts over the lease term unless another systematic basis is more representative of the pattern of use.

Alternative Performance Measures

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

The most significant APMs are:

Net debt (note 25c)

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. Net debt provides a measure of the Group's net indebtedness or overall leverage.

Return on capital employed (ROCE) (notes 2 and 18)

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. ROCE provides a measure of the efficient and effective use of capital in the business and is used for incentive purposes.

Special items (note 3)

Those financial items which the Group considers should be separately disclosed on the face of the 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.

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

33 Accounting policies

Underlying EBITDA (note 2)

Operating profit before special items, depreciation, amortisation and impairments not recorded as special items. Underlying EBITDA provides a measure of the absolute growth in the cash generating ability of the business and is used for incentive purposes.

Underlying operating profit (combined and consolidated income statement)

Operating profit before special items. Underlying operating profit provides a measure of operating performance and absolute growth in profitability of the operations.

Underlying profit before tax (combined and consolidated income statement)

Profit before tax and special items. Underlying profit before tax provides a measure of the absolute growth in profitability before tax.

Underlying earnings (and per share measure) (note 8)

Net profit after tax attributable to shareholders, before special items. Underlying earnings (and the related per share measure based on the basic, weighted average number of ordinary shares outstanding), provides a measure of the Group's absolute growth in earnings.

Underlying and headline EPS (note 8)

Underlying EPS excludes the impact of special items and is a non-IFRS measure. It is included to provide an additional basis on which to measure the Group's earnings performance. The presentation of headline EPS is mandated under the Listings Requirements of the JSE Limited and is calculated in accordance with Circular 2/2015, 'Headline Earnings', as issued by the South African Institute of Chartered Accountants.

Cash flow generation

A measurement of the Group's cash generation before considering deployment of cash towards investment in property, plant and equipment ('capex' or 'capital expenditure'), acquisition and disposals and payment of dividends to shareholders. Cash flow generation is a measure of the Group's ability to generate cash through the cycle before considering deployment of such cash.

Underlying EBITDA margin

Underlying EBITDA expressed as a percentage of revenue provides a measure of the cash generating ability relative to revenue.

Underlying operating profit margin (note 2)

Underlying operating profit expressed as a percentage of revenue provides a measure of the profitability of the operations relative to revenue.

Ordinary dividend cover

Basic underlying EPS divided by total ordinary dividend per share paid and proposed provides a measure of the Group's earnings relative to its deployment towards ordinary dividend payments.

Net debt to 12-month trailing underlying EBITDA

Net debt divided by trailing 12-month underlying EBITDA. A measure of the Group's net indebtedness relative to its cash generating ability.

Effective tax rate (note 7a)

Underlying tax charge expressed as a percentage of underlying profit before tax. A measure of the Group's tax charge relative to its profit before tax expressed on an underlying basis.

Working capital as a percentage of revenue

Working capital, defined as the sum of trade and other receivables and inventories less trade and other payables, expressed as a percentage of trailing 12-month Group revenue. A measure of the Group's effective use of working capital relative to revenue.

Capex and investment in intangible assets as a percentage of depreciation, amortisation and impairments

Capex and investment in intangible assets divided by depreciation, amortisation and non-special impairments provides a measure of reinvestment into the Group's asset base relative to depreciation, amortisation and impairments.

New accounting policies, early adoption and future requirements

Amendments to published Standards effective during 2017

The following amendments to Standards have been adopted for the financial year beginning on 1 January 2017, and have had no significant impact on the Group's results:

→ IAS 7 – Statements of Cash Flows, disclosure initiative

→ IAS 12 – Income Taxes

New Standards and amendments to published Standards that are not yet effective

The following new Standards are effective, or will be early adopted, for the financial year beginning on 1 January 2018, and are expected to have an impact on the Group's results:

→ IFRS 9 – Financial Instruments
Given the nature of the Group's business, while the Group's assessment of the impact of this standard is ongoing, no material impact is expected in respect of the measurement of financial instruments. The revised financial instrument categories will result in changes in classification and additional disclosures.

→ IFRS 15 – Revenue from Contracts with Customers
Given the nature of the Group's revenue streams, while the Group's assessment of the impact of this standard is ongoing, the Group does not expect any significant changes to the timing and recognition of revenue and no material impact is expected in the Group's results. Additional disclosures will be required.

→ IFRS 16 – Leases
The Group has elected to early adopt the Standard with full retrospective application and the practical expedients detailed below.

IFRS 16 introduces a single lease accounting model, requiring a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset, and a lease liability representing its obligation to make lease payments. Thus, leases classified as operating leases with lease payments recorded in the income statement under the existing policy will be included in the combined and consolidated statement of financial position.

The new treatment of leases will result in an increase in non-current assets and financial liabilities as these leases are capitalised as well as an increase in underlying EBITDA, offset by an increase in depreciation and an increase in finance charges. This will result in a higher operating profit. The depreciation charge is constant over the lease period, but finance charges decrease as the remaining lease liability decreases, resulting in a net reduction in profit before tax in the early part of a lease arrangement but a positive profit impact towards the end of the contract in contrast to the typical straight-line treatment of existing operating lease expenses.

Net debt is expected to increase due to the recognition of lease liabilities which are considered financial liabilities, whilst working capital will remain unaffected. Group return on capital employed is expected to decrease due to the recognition of the lease liability increasing net debt, resulting in a higher capital employed. A higher operating profit is expected to only partially offset this impact on Group return on capital employed.

Cash generated from operations is expected to increase due to certain lease expenses no longer being recognised as operating cash outflows, but this will be offset by a corresponding increase in cash used in financing activities due to repayments of the principal on lease liabilities. Net cash flow will remain unchanged.

Whilst the Group is party to more than 1,000 leases, a large proportion of the Group's lease agreements are short-term in nature and not individually material in value. The Group has elected to apply a practical expedient which excludes lease agreements which are short-term in nature and not individually material in value from being classified as leases in terms of IFRS 16.

The Group has also elected to adopt the transitional practical expedient such that the IFRS 16 definition of a lease would only be applied to assess whether contracts entered into after the date of initial application (1 January 2018) are, or contain leases. All contracts previously assessed not to contain leases are not revisited.

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

33 Accounting policies

The Group's assessment of the impact of adopting this Standard is in the process of being finalised, but the estimated range of potential impact on the Group's key metrics as at 31 December 2017 is as follows:

→ Total assets:	increase	2–3%
→ Total liabilities:	increase	5–7%
→ Net debt:	increase	12–19%
→ Underlying EBITDA:	increase	2–3%
→ Underlying operating profit:	increase	marginal
→ Operating profit:	increase	marginal
→ Tax charge:	decrease	marginal
→ Profit for the year:	decrease	marginal
→ Return on capital employed:	decrease	0.4–0.5 points

The following new and amended Standards and Interpretations are also effective for the financial year beginning on 1 January 2018, and will have no significant impact on the Group's results:

- Annual improvements 2014–2016 cycle
- Amendments to IAS 40 – Investment Property
- Amendments to IFRS 2 – Share Based Payments
- Amendments to IFRS 4 – Insurance Contracts
- IFRIC 22 – Foreign currency transactions and advance consideration

Mondi Limited parent company statement of financial position[1]
as at 31 December 2017

ZAR million	Notes	2017	2016
Property, plant and equipment		5,497	5,619
Forestry assets		3,863	3,724
Investment in and loans to subsidiaries	2	52	52
Financial asset investments		—	23
Total non-current assets		**9,412**	**9,418**
Inventories		1,039	768
Trade and other receivables		1,781	1,477
Investment in and loans to subsidiaries	2	96	172
Current tax asset		—	32
Financial asset investments		165	188
Financial instruments		45	5
Cash and cash equivalents		4	1
Total current assets		**3,130**	**2,643**
Total assets		**12,542**	**12,061**
Short-term borrowings		(1,948)	(1,218)
Trade and other payables		(1,102)	(1,111)
Current tax liability		(86)	—
Provisions		(65)	(59)
Total current liabilities		**(3,201)**	**(2,388)**
Net retirement benefits liability		(773)	(797)
Deferred tax liabilities		(1,645)	(1,773)
Provisions		(2)	(28)
Total non-current liabilities		**(2,420)**	**(2,598)**
Total liabilities		**(5,621)**	**(4,986)**
Net assets		**6,921**	**7,075**
Equity			
Stated capital	3	4,188	4,188
Retained earnings and other reserves		2,733	2,887
Total equity		**6,921**	**7,075**

Note:
1 The above statement of financial position is an extract of the audited Mondi Limited parent company financial statements for the year ended 31 December 2017. The full set of audited financial statements for Mondi Limited parent company is available on the Group's website

The statement of financial position and statement of changes in equity of Mondi Limited and related notes were approved by the board and authorised for issue on 1 March 2018 and were signed on its behalf by:

Peter Oswald
Director

Andrew King
Director

Mondi Limited company registration number: 1967/013038/06

Mondi Limited parent company statement of changes in equity[1]
for the year ended 31 December 2017

ZAR million	Stated capital	Retained earnings	Other reserves	Total equity
At 1 January 2016	4,188	2,500	83	**6,771**
Total comprehensive income/(expense) for the year	—	1,458	(25)	**1,433**
Dividends	—	(1,111)	—	**(1,111)**
Shares vested from Mondi Incentive Schemes Trust	—	(41)	—	**(41)**
Mondi share schemes' charge	—	—	26	**26**
Issue of shares under employee share schemes	—	19	(22)	**(3)**
At 31 December 2016	**4,188**	**2,825**	**62**	**7,075**
Total comprehensive income for the year	—	940	44	**984**
Dividends	—	(973)	—	**(973)**
Shares vested from Mondi Incentive Schemes Trust	—	(30)	—	**(30)**
Mondi share schemes' charge	—	—	34	**34**
Issue of shares under employee share schemes	—	35	(36)	**(1)**
Acquisition of business	—	(168)	—	**(168)**
At 31 December 2017	**4,188**	**2,629**	**104**	**6,921**

Note:

1 The above statement of changes in equity is an extract of the audited Mondi Limited parent company financial statements for the year ended 31 December 2017. The full set of audited financial statements for Mondi Limited parent company is available on the Group's website

Extract of the notes to the audited Mondi Limited parent company financial statements
for the year ended 31 December 2017

1 Accounting policies

Basis of preparation

The statement of financial position and selected notes of Mondi Limited have been prepared in accordance with applicable International Financial Reporting Standards (IFRS) under the historical cost convention.

Principal accounting policies

The principal accounting policies applied by Mondi Limited are the same as those presented in notes 1 and 33 to the combined and consolidated Group financial statements, to the extent that the Group's transactions and balances are applicable to the company financial statements. Principally, the accounting policies which are not directly relevant to Mondi Limited parent company financial statements are those relating to consolidation accounting and the recognition and subsequent measurement of goodwill.

The accounting policy, which is additional to those applied by the Group, is stated as follows:

Investments

Investments in subsidiaries and associates are reflected at cost less amounts written off and provisions for any impairments. Any potential impairment is determined on a basis consistent with the accounting policy on the impairment of goodwill.

Accounting estimates and critical judgements

The accounting estimates and critical judgements applied by the key management of Mondi Limited are discussed in the Group's combined and consolidated financial statements (see note 1). In addition, the carrying value of investments is considered a critical judgement.

2 Investment in and loans to subsidiaries

ZAR million	2017	2016
Unlisted		
Shares at cost	62	62
Loans advanced	96	418
Impairment	(10)	(256)
Total investments in subsidiaries	**148**	**224**
Repayable within one year classified as a current asset	(96)	(172)
Total long-term investments in subsidiaries	**52**	**52**

3 Stated capital

Full disclosure of the stated capital of Mondi Limited is set out in note 20 of the Group's combined and consolidated financial statements.

4 Contingent liabilities

There were no contingent liabilities to be disclosed and no acquired contingent liabilities to be recorded in Mondi Limited's statement of financial position for either year presented. Mondi Limited has issued financial guarantees to suppliers for services rendered in the ordinary course of business of ZAR72 million (2016: ZAR76 million). The likelihood of these financial guarantees being called is considered to be remote and therefore the estimated financial effect of issuance is ZARnil (2016: ZARnil).

Mondi Limited 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. Mondi Limited may not be insured fully, or at all, in respect of such risks. Mondi Limited cannot predict the outcome of individual legal actions or claims or complaints or investigations. Mondi Limited may settle litigation or regulatory proceedings prior to a final judgment or determination of liability. Mondi Limited 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. Mondi Limited considers that no material loss to Mondi Limited 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 Mondi Limited.

Extract of the notes to the audited Mondi Limited parent company financial statements for the year ended 31 December 2017

5 Events occurring after 31 December 2017

In addition to the proposed final ordinary and special dividends for 2017, included in note 9 of the Group's combined and consolidated financial statements, 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 nominal commercial terms for such a facility. The facility will be used for general corporate purposes.

6 List of subsidiary and associated undertakings and other significant holdings as at 31 December 2017

All shares are held directly except where noted. Except where stated, the shares held are ordinary shares.

Company	Registered office	% of shares held by Group
Côte d'Ivoire		
La Sacherie Moderne SA[1]	Zone Industrielle de Yopougon 01, Abidjan, BP 5676	50.0
South Africa		
Arctic Sun Trading 17 Proprietary Limited[1]	Unit 4, 57 St. Andrews Drive, Durban North, 4051	50.0
Bongani Development Close Corporation	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	100.0
Golden Pond Trading 250 Proprietary Limited[1]	3 Joyner Road, Prospecton, 4110	49.0
Khulanathi Forestry Proprietary Limited[1]	Lakeside Terrace, 3rd Floor, ABSA Building, Richards Bay, 3900	30.0
Mbulwa Estate Proprietary Limited[1]	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	50.0
Mondi Africa Holdings Proprietary Limited	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	100.0
Mondi Forestry Partners Programme Proprietary Limited[1]	380 Old Howick Road, Mondi House, Hilton, 3245	100.0
Mondi Newsprint Proprietary Limited[2]	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	100.0
Mondi Sacherie Moderne Holdings Proprietary Limited	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	100.0
Mondi Timber (Wood Products) Proprietary Limited	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	100.0
Mondi Timber Limited[3]	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	100.0
Mondi Zimele Job Funds Proprietary Limited[1]	380 Old Howick Road, Mondi House, Hilton, 3245	100.0
Mondi Zimele Proprietary Limited	380 Old Howick Road, Mondi House, Hilton, 3245	100.0
MZ Business Services Proprietary Limited[1]	128 Lansdowne Road, Jacobs, 4052	100.0
MZ Technical Services Proprietary Limited[1]	128 Lansdowne Road, Jacobs, 4052	56.0
Professional Starch Proprietary Limited[1]	380 Old Howick Road, Mondi House, Hilton, 3245	100.0
Siyaqhubeka Forests Proprietary Limited[1]	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	51.0
Zimshelf Eight Investment Holdings Proprietary Limited	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	100.0

Notes:

1 These companies are held indirectly

2 Mondi Shanduka Newsprint Proprietary Limited changed name to Mondi Newsprint Proprietary Limited on 31 July 2017

3 The company has ordinary and cumulative preference shares

Mondi plc parent company balance sheet
as at 31 December 2017

€ million	Notes	2017	2016
Fixed asset investments	5	2,938	2,938
Debtors: due within one year		16	3
Cash and cash equivalents		132	310
Total assets		**3,086**	**3,251**
Total creditors: due within one year		(11)	(13)
Total provisions: due after more than one year		(1)	(1)
Total liabilities		**(12)**	**(14)**
Net assets		**3,074**	**3,237**
Capital and reserves			
Share capital	6	103	103
Profit or loss account		2,952	3,116
Share-based payments reserve		19	18
Total shareholders' funds		**3,074**	**3,237**

Mondi plc reported a profit of €56 million (2016: profit of €407 million) for the year ended 31 December 2017. The balance sheet and statement of changes in equity of Mondi plc and related notes were approved by the board and authorised for issue on 1 March 2018 and were signed on its behalf by:

Peter Oswald
Director

Andrew King
Director

Mondi plc company registered number: 6209386

Mondi plc parent company statement of changes in equity
for the year ended 31 December 2017

€ million	Share capital	Profit or loss account	Share-based payments reserve	Total equity
At 1 January 2016	103	2,916	16	**3,035**
Total comprehensive income for the year	—	414	—	**414**
Dividends	—	(207)	—	**(207)**
Issue of shares under employee share schemes	—	9	(9)	**—**
Purchases of treasury shares	—	(16)	—	**(16)**
Mondi share schemes' charge	—	—	11	**11**
At 31 December 2016	**103**	**3,116**	**18**	**3,237**
Total comprehensive income for the year	—	56	—	**56**
Dividends	—	(208)	—	**(208)**
Issue of shares under employee share schemes	—	12	(12)	**—**
Purchases of treasury shares	—	(24)	—	**(24)**
Mondi share schemes' charge	—	—	13	**13**
At 31 December 2017	**103**	**2,952**	**19**	**3,074**

Notes to the Mondi plc parent company financial statements
for the year ended 31 December 2017

1 Accounting policies

Basis of accounting

Mondi plc meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, the financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) as issued by the Financial Reporting Council.

As permitted by FRS 101, Mondi plc has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain items, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

Where required, equivalent disclosures are given in the Group accounts of Mondi plc, which are publicly available. The results, assets and liabilities of Mondi plc are included in the publicly available combined and consolidated Group financial statements.

Mondi plc has made use of the exemption from presenting a profit and loss account, in accordance with Section 408 of the UK Companies Act 2006.

The financial statements have been prepared on the going concern basis. This is discussed in the Strategic report within Our principal risks under the heading 'Going concern'.

The financial statements are prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are described below. They have all been applied consistently throughout the year and the preceding year.

Principal accounting policies

The principal accounting policies applied by Mondi plc are the same as those presented in notes 1 and 33 to the combined and consolidated Group financial statements, to the extent that the Group's transactions and balances are applicable to the company financial statements. Principally, the accounting policies which are not directly relevant to the Mondi plc parent company financial statements are those relating to consolidation accounting and the recognition and subsequent measurement of goodwill.

The accounting policy, which is additional to those applied by the Group, is stated as follows:

Investments

Fixed asset investments are stated at cost, less, where appropriate, provisions for impairment. Any potential impairment is determined on a basis consistent with the Group accounting policy on the impairment of goodwill.

Accounting estimates and critical judgements

The accounting estimates and critical judgements applied by the key management of Mondi plc are discussed in the Group's combined and consolidated financial statements (see note 1). In addition, the carrying value of investments is considered a key estimate.

2 Auditor's remuneration

Disclosure of the audit fees payable to the auditor for the audit of Mondi plc's financial statements is set out in note 4 of the Group's combined and consolidated financial statements.

3 Share-based payments

The share schemes and the underlying assumptions used to estimate the associated fair value charge are set out in note 21 of the Group's combined and consolidated financial statements.

4 Deferred tax

A deferred tax asset of €3 million (2016: €4 million) has not been recognised in relation to temporary differences regarding the share-based payment arrangements. A deferred tax asset has not been recognised in relation to tax losses brought forward of €26 million (2016: €25 million) due to the low probability of future profit streams or gains against which these could be utilised.

5 Fixed asset investments

€ million	2017	2016
Unlisted		
Shares at cost	2,938	2,938

The investment is in Mondi Investments Limited (incorporated in the UK), a wholly-owned subsidiary which acts as an investment holding company.

6 Share capital

Full disclosure of the share capital of Mondi plc is set out in note 20 of the Group's combined and consolidated financial statements.

7 Contingent liabilities

Mondi plc has issued financial guarantees in respect of the UK pension schemes of its subsidiaries, obligations incurred in the ordinary course of business and the borrowings of other Group undertakings. The likelihood of these financial guarantees being called is considered to be remote and, therefore, the estimated financial effect of issuance is nil (2016: nil). The fair value of these issued financial guarantees is deemed to be immaterial.

€ million	2017	2016
Pension scheme guarantees	79	82
Guarantees of obligations of subsidiaries of Mondi plc		
– Incurred in the ordinary course of business	35	32
– In favour of banks and bondholders	2,252	2,665
At 31 December	**2,366**	**2,779**

Mondi plc 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. Mondi plc may not be insured fully, or at all, in respect of such risks. Mondi plc cannot predict the outcome of individual legal actions or claims or complaints or investigations. Mondi plc may settle litigation or regulatory proceedings prior to a final judgment or determination of liability. Mondi plc 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. Mondi plc considers that no material loss to Mondi plc 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 Mondi plc.

8 Events occurring after 31 December 2017

In addition to the proposed final ordinary and special dividends for 2017, included in note 9 of the Group's combined and consolidated financial statements, 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 nominal commercial terms for such a facility. The facility will be used for general corporate purposes.

9 List of subsidiary and associated undertakings and other significant holdings as at 31 December 2017

All shares are held indirectly through a subsidiary or associated undertaking except where noted. Except where stated, the shares held are ordinary shares.

Company	Registered office	Principal activities	% of shares held by Group
Austria			
Future Lignin & Pulp Processing Research Projekt GmbH	Murmühlweg 2, 8112 Gratwein	Service, Kraft paper	25.00
Mondi AG	Marxergasse 4A, 1030 Vienna	Holding, Corporate	100.00
Mondi Bags Austria GmbH	Bahnhofstrasse 3, 8740 Zeltweg	Production, Industrial bags	100.00
Mondi Coating Zeltweg GmbH	Bahnhofstrasse 3, 8740 Zeltweg	Production, Extrusion coatings	100.00
Mondi Coatings GmbH	Marxergasse 4A, 1030 Vienna	Holding, Extrusion coatings	100.00
Mondi Consumer Packaging GmbH	Marxergasse 4A, 1030 Vienna	Holding, Consumer packaging	100.00
Mondi Corrugated Holding Österreich GmbH	Marxergasse 4A, 1030 Vienna	Holding, Corrugated packaging	100.00
Mondi Corrugated Services GmbH	Marxergasse 4A, 1030 Vienna	Service, Corrugated packaging	100.00
Mondi Frantschach GmbH	Frantschach 5, 9413 St. Gertraud	Production, Kraft paper	100.00
Mondi Grünburg GmbH	Steyrtalstrasse 5, 4594 Grünburg	Production, Corrugated packaging	100.00
Mondi Holdings Austria GmbH	Marxergasse 4A, 1030 Vienna	Holding, Corporate	100.00
Mondi Industrial Bags GmbH	Marxergasse 4A, 1030 Vienna	Holding, Industrial bags	100.00
Mondi Korneuburg GmbH	Stockerauer Strasse 110, 2100 Korneuburg	Production, Consumer packaging	100.00
Mondi Neusiedler GmbH	Theresienthalstrasse 50, 3363 Ulmerfeld-Hausmening	Production, Uncoated fine paper	51.00
Mondi Oman Holding GmbH	Marxergasse 4A, 1030 Vienna	Holding, Industrial bags	70.00
Mondi Paper Sales GmbH	Marxergasse 4A, 1030 Vienna	Distribution, Containerboard, Kraft paper, Uncoated fine paper	100.00
Mondi Release Liner Austria GmbH	Waidhofnerstrasse 11, 3331 Hilm	Production, Consumer packaging	100.00
Mondi Services AG	Marxergasse 4A, 1030 Vienna	Service, Corporate	100.00
Mondi Styria GmbH	Bahnhofstrasse 3, 8740 Zeltweg	Production, Consumer packaging	100.00

Notes to the Mondi plc parent company financial statements for the year ended 31 December 2017

9 List of subsidiary and associated undertakings and other significant holdings as at 31 December 2017

Company	Registered office	Principal activities	% of shares held by Group
Mondi Uncoated Fine & Kraft Paper GmbH	Marxergasse 4A, 1030 Vienna	Holding, Containerboard, Kraft paper, Uncoated fine paper	100.00
Papierholz Austria GmbH	Frantschach 5, 9413 St. Gertraud	Service, Kraft paper	25.00
SAREC Papiersackrecycling Organisation GmbH	Marxergasse 4A, 1030 Vienna	Service, Industrial bags	100.00
Sulbit Handels GmbH	Marxergasse 4A, 1030 Vienna	Service, Industrial bags	100.00
Ybbstaler Zellstoff GmbH	Theresienthalstrasse 50, 3363 Ulmerfeld-Hausmening	Production, Uncoated fine paper	51.00
Belgium			
Mondi Belcoat N.V.	Adolf Stocletlaan 11, 2570 Duffel	Production, Extrusion coatings	100.00
Mondi Poperinge N.V.	Nijverheidslaan 11, 8970 Poperinge	Production, Industrial bags	100.00
Bulgaria			
Mondi Stambolijski E.A.D	1 Zavodska Street, Stambolijski 4210, Plovdiv Region	Production, Kraft paper	100.00
China			
Mondi (China) Film Technology Co. Ltd.	No 29 Xinggang Road, Taicang Port Development Zone	Production, Consumer packaging	100.00
Mondi Trading (Beijing) Co. Ltd.	0912, Air China Plaza, Building 1, No.36 Xiaoyun Road, Chaoyang, Beijing	In liquidation, Consumer packaging	100.00
Croatia			
Mondi Valpovo d.o.o.	Oreškovićeva 6c, 10010 Zagreb (Grad Zagreb)	Distribution, Industrial bags	100.00
Czech Republic			
EURO WASTE, a.s	Litoměřická 272, 41108 Štětí	Service, Containerboard, Kraft paper	33.33
Labe Wood s.r.o.	Litoměřická 272, 41108 Štětí	Dormant, Kraft paper	25.00
Lignocel s.r.o	Poupětova 3, 17000 Prague 7	In liquidation, Kraft paper	20.00
Mondi Bags Štětí a.s.	Litoměřická 272, 41108 Štětí	Production, Industrial bags	100.00
Mondi Bupak s.r.o.	Papírenská 41, 37052 České Budějovice	Production, Corrugated packaging	100.00
Mondi Coating Štětí a.s.	Litoměřická 272, 41108 Štětí	Production, Extrusion coatings	100.00
Mondi Štětí a.s.	Litoměřická 272, 41108 Štětí	Production, Containerboard, Kraft paper	100.00
Mondi Štětí White Paper s.r.o	Litoměřická 272, 41108 Štětí	Production, Kraft paper	100.00
Roto a.s.	Litoměřická 272, 41108 Štětí	Dormant, Kraft paper	100.00
Wood & Paper a.s.	Hlina 57/18, 66491 Brno	Service, Kraft paper	46.50
Egypt			
Suez Bags Company SAE	30 Maadi Road, Katameya, Kilo 138, Cairo	Production, Industrial bags	29.89

Company	Registered office	Principal activities	% of shares held by Group
Finland			
Mondi Finland Services Oy[1]	Peltotie 20, 28400 Ulvila	Service, Kraft paper	100.00
France			
Mondi Gournay Sarl	5, rue Vernet, 75008, Paris	Production, Extrusion coatings	100.00
Mondi Lembacel SAS	11 Rue de Reims, 51490 Bétheniville	Production, Industrial bags	100.00
Mondi Paper Sales France Sarl	5, rue Vernet, 75008 Paris	Distribution, Containerboard, Kraft paper, Uncoated fine paper	100.00
Germany			
Mondi Ascania GmbH	Daimlerstrasse 8, 06449 Aschersleben	Production, Consumer packaging	100.00
Mondi Bad Rappenau GmbH	Wilhelm-Hauff-Strasse 41, 74906 Bad Rappenau	Production, Corrugated packaging	100.00
Mondi Consumer Packaging International GmbH	Jöbkesweg 11, 48599 Gronau	Holding, Consumer packaging	100.00
Mondi Eschenbach GmbH	Am Stadtwald 14, 92676 Eschenbach	Production, Corrugated packaging	100.00
Mondi Gronau GmbH	Jöbkesweg 11, 48599 Gronau	Production, Consumer packaging	100.00
Mondi Halle GmbH	Wielandstrasse 2, 33790 Halle	Production, Consumer packaging	100.00
Mondi Hammelburg GmbH	Thüringenstrasse 1-3, 97762 Hammelburg	Production, Industrial bags	100.00
Mondi Holding Deutschland GmbH	Jöbkesweg 11, 48599 Gronau	Holding, Corporate	100.00
Mondi Inncoat GmbH	Angererstrasse 25, 83064 Raubling	Production, Consumer packaging	100.00
Mondi Jülich GmbH	Rathausstrasse 29, 52428 Jülich	Production, Consumer packaging	100.00
Mondi Lindlar GmbH	Wielandstrasse 2, 33790 Halle	Dormant, Consumer packaging	100.00
Mondi Paper Sales Deutschland GmbH	Oberbaumbrücke 1, 20457 Hamburg	Distribution, Containerboard, Kraft paper, Uncoated fine paper	100.00
Mondi Sendenhorst GmbH	Herkulesweg 1, 48324 Sendenhorst	Production, Industrial bags	100.00
Mondi Trebsen GmbH	Erich-Hausmann-Strasse 1, 04687 Trebsen	Production, Industrial bags	100.00
Mondi Wellpappe Ansbach GmbH	Robert-Bosch-Strasse 3, 91522 Ansbach	Production, Corrugated packaging	100.00
Nordenia International Beteiligungsges. mbH	Hüttrupper Heide 88, 48268 Greven	Service, Consumer packaging	100.00
wood2M GmbH	Hauptstrasse 66, 07366 Blankenstein	Service, Containerboard, Kraft paper, Uncoated fine paper	50.00

Company	Registered office	Principal activities	% of shares held by Group
Greece			
Mondi Thessaloniki A.E.	Sindos Industrial Zone – Block 18, 57022 Thessaloniki	Production, Industrial bags	100.00
Hungary			
Mondi Bags Hungária Kft.	Tünde u. 2, 4400 Nyíregyháza	Production, Industrial bags	100.00
Mondi Békéscsaba Kft.	Tevan Andor u. 2, 5600 Békéscsaba	Production, Consumer packaging	100.00
Mondi Szada Kft.	Vasút u. 13, 2111 Szada	Production, Consumer packaging	100.00
Iraq			
Mondi Kaso Iraq Industrial Bags Ltd.	Takya, Bazian, Sulaimaniyah	Production, Industrial bags	34.55
Italy			
Mondi Gradisac S.r.l.	Via dell'Industria 11, 34072 Gradisca d'Isonzo, Gorizia	Production, Industrial bags	100.00
Mondi IPI S.r.l.	Via Zanchetta 27, 35010 San Pietro in Gu, Padua	Production, Industrial bags	100.00
Mondi Italia S.r.l.	Via Balilla 32, 24058 Romano di Lombardia, Bergamo	Production, Industrial bags	100.00
Mondi Paper Sales Italia S.R.L.	Via Fara Gustavo 35, 20124 Milano	Distribution, Containerboard, Kraft paper, Uncoated fine paper	100.00
Mondi S.r.l.	Via Zanchetta 27, 35010 San Pietro in Gu, Padua	In liquidation, Corrugated packaging	100.00
Mondi San Pietro in Gu S.r.l.	Via Mazzini 21, 35010 San Pietro in Gu, Padua	Production, Industrial bags	100.00
Mondi Silicart S.r.l.	Via Zanchetta 27, 35010, San Pietro in Gu	Dormant, Consumer packaging	100.00
Mondi Tolentino S.r.l.	Via Giovanni Falcone 1, 62029 Tolentino, Macerata	Production, Industrial bags	100.00
NATRO-TECH S.r.l.	Via Balilla 32, 24058 Romano di Lombardia, Bergamo	Service, Industrial bags	100.00
Japan			
Mondi Tokyo KK	7th floor 14-5, Akasaka 2-chrome, Minato-ku, Tokyo	Service, Consumer packaging	100.00
Jordan			
Jordan Paper Sacks Company Limited	Al Salt, Industrial Area, P.O. Box 119, 19374, Balqa	Production, Industrial bags	67.74
Republic of Korea			
Krauzen Co., Ltd.	1420, Keumkang-Penterium IT tower, 282 Hakeui-ro, Dongang-gu, Anyang-si, Gyunggi-do	Distribution, Consumer packaging	100.00
Mondi KSP Co., Ltd.	48-29, 439 Hongandaero, Dongang-gu, Anyang-si, Gyunggi-do	Production, Consumer packaging	95.00
Lebanon			
Mondi Lebanon SAL	7th Floor, Bloc C, Kassis Building, Antelias Highway, Antelias	Production, Industrial bags	66.00
Luxembourg			
Mondi German Investments S.A.	1, rue Hildegard von Bingen, 1282	Holding, Corporate	100.00

Company	Registered office	Principal activities	% of shares held by Group
Mondi Packaging S.à r.l.	1, rue Hildegard von Bingen, 1282	Holding, Corporate	100.00
Mondi S.à r.l.	1, rue Hildegard von Bingen, 1282	Holding, Corporate	100.00
Mondi Services S.à r.l.	1, rue Hildegard von Bingen, 1282	Service, Corporate	100.00
Malaysia			
Mondi Kuala Lumpur Sdn. Bhd.	Lot Nos.PT 5034 & 5036, Jalan Teluk Datuk 28/40, 40000 Shah Alam, Selangor	Production, Industrial bags	62.00
Mexico			
Caja de Ahorro de Personal de Mondi Mexico Servicios A.C.	Av. San Nicolás No. 249, Colonia Cuauhtémoc, San Nicolás de los Garza, Nuevo Léon, 66450	Service, Industrial bags	100.00
Mondi Mexico S. de R.L. de C.V.	Av. San Nicolás No. 249, Colonia Cuauhtémoc, San Nicolás de los Garza, Nuevo Léon, 66450	Production, Industrial bags	100.00
Mondi Mexico Servicios S. de R.L. de C.V.	Av. San Nicolás No. 249, Colonia Cuauhtémoc, San Nicolás de los Garza, Nuevo Léon, 66450	Service, Industrial bags	100.00
Morocco			
L'Ensachage Moderne Sarl	Rue Boukraa N1, Quartier Industriel Dokkarat, Fes	Production, Industrial bags	80.64
Pap-Sac Maghreb SA	Km 16, Route d'El Jadida, Casablanca	Production, Industrial bags	80.64
Netherlands			
Mondi Coating B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Extrusion coatings	100.00
Mondi Consumer Bags & Films B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Consumer packaging	100.00
Mondi Consumer Bags & Films Benelux B.V.	Fort Willemweg 1, 6219 PA Maastricht	Distribution, Consumer packaging	100.00
Mondi Corrugated B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Corrugated packaging	100.00
Mondi Corrugated Poland B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Corrugated packaging	100.00
Mondi Heerlen B.V.	Imstenraderweg 15, 6422 PM Heerlen	Production, Consumer packaging	100.00
Mondi Industrial Bags B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Industrial bags	100.00
Mondi International Holdings B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Corporate	100.00
Mondi Maastricht N.V.	Fort Willemweg 1, 6219 PA Maastricht	Production, Industrial bags	100.00
Mondi MENA B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Industrial bags	70.00
Mondi Packaging Paper B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Kraft paper	100.00
Mondi Paper Sales Netherlands B.V.	Bruynvisweg 14, 1531 AZ Wormer	Distribution, Containerboard, Kraft paper, Uncoated fine paper	100.00
Mondi SCP Holdings B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Uncoated fine paper	100.00

Notes to the Mondi plc parent company financial statements for the year ended 31 December 2017

9 List of subsidiary and associated undertakings and other significant holdings as at 31 December 2017

Company	Registered office	Principal activities	% of shares held by Group
Norway			
Mondi Moss AS	Rådmann Sirasvei 1, 1712 Grålum	Distribution, Industrial bags	100.00
Oman			
Mondi Oman LLC	P.O. Box 20, 124, Muscat Governorate, As Seeb, Al Rusayl	Production, Industrial bags	49.00
Poland			
Agromasa Sp. z o.o.	ul. Bydgoska 1, 86-100 Świecie	Service, Containerboard	100.00
Fredonia Investments Sp. z o.o.	ul. Bukowa 21, 87-148 Łysomice	Service, Containerboard	100.00
Mondi Bags Mielec Sp. z o.o.	ul. Wojska Polskiego 12, 39-300 Mielec	Production, Industrial bags	100.00
Mondi Bags Świecie Sp. z o.o.	ul. Bydgoska 12, 86-100 Świecie	Production, Industrial bags	100.00
Mondi BZWP Sp. z o.o.	ul. Zamenhofa 36, 57-500 Bystrzyca Kłodzka	Production, Corrugated packaging	100.00
Mondi Corrugated Świecie Sp. z o.o.	ul. Bydgoska 1, 86-100 Świecie	Production, Corrugated packaging	100.00
Mondi Dorohusk Sp. z o.o.	Brzezno 1, 22-174 Brzezno	Production, Corrugated packaging	100.00
Mondi Kutno Sp. z o.o.	ul. Żołnierska 1, 99-300 Kutno	Production, Consumer packaging	100.00
Mondi Poznań Sp. z o.o.	ul. Wyzwolenia 34/36, 62-070 Dopiewo	Production, Consumer packaging	100.00
Mondi Recykling Polska Sp. z o.o.[1]	ul. Bydgoska 1, 86-100 Świecie	Service, Containerboard	100.00
Mondi Simet S.A.	Grabonóg 77, 63-820 Piaski	Production, Corrugated packaging	100.00
Mondi Solec Sp. z o.o.	Solec, 05-532 Baniocha	Production, Consumer packaging	100.00
Mondi Świecie S.A.	ul. Bydgoska 1, 86-100 Świecie	Production, Containerboard	100.00
Mondi Szczecin Sp. z o.o.	ul. Sloneczna 20, 72-123 Kliniska Wielkie	Production, Corrugated packaging	100.00
Mondi Warszawa Sp. z o.o.	ul. Tarczyńska 98, 96-320 Mszczonów	Production, Corrugated packaging	100.00
Mondi Wierzbica Sp. z o.o.	Kolonia Rzecków 76, 26-680 Wierzbica	Production, Industrial bags	100.00
Świecie Rail Sp. z o.o.	ul. Bydgoska 1, 86-100 Świecie	Service, Containerboard	100.00
Świecie Recykling Sp. z o.o.	ul. Bydgoska 1/417, 86-100 Świecie	Service, Containerboard	100.00
Romania			
Mondi Bucharest S.R.L.	Tudor Vladimirescu Street 1A, Ilfov, 75100 Otopeni	Distribution, Industrial bags	100.00
Russia			
LLC Mondi Lebedyan	Sverdlova 67, 399610 Lebedyan, Lipetsk Region	Production, Corrugated packaging	100.00
LLC Mondi Pereslavl	Mendeleeva sq. 2, Building 55, 152025 Pereslavl-Zalesski	Production, Consumer packaging	100.00
LLC Mondi Syktyvkar Energy Company[1]	pr. Bumazhnikov 2, 167026 Syktyvkar, Republic of Komi	Service, Uncoated fine paper	100.00
OJSC Mondi Syktyvkar[2]	pr. Bumazhnikov 2, 167026 Syktyvkar, Republic of Komi	Production, Containerboard, Uncoated fine paper	100.00
OJSC Uralplastic	25 Klubnaya Street, Aramil, Ekaterinburg, Sverdlovskii Region	Production, Consumer packaging	100.00
OOO Mondi Sales CIS	2nd Brestskaya str. 8 Floor 13, 123047, Moscow	Distribution, Uncoated fine paper	100.00
OOO Nordenia Samara	Tschapaewskaja 189, Office 14-22, 443010 Samara	Dormant, Consumer packaging	100.00
OOO PozhGazServis[2]	Ukhtinskoe Road 48/4, 167026 Syktyvkar, Republic of Komi	Service, Uncoated fine paper	100.00
Serbia			
Mondi Paracin d.o.o. Paracin	Cika Tasina 27, 35250 Paracin	Production, Industrial bags	100.00
Mondi Šabac d.o.o. Šabac	Nova 9, 15000 Šabac	Production, Industrial bags	100.00
Singapore			
Mondi Packaging Paper Sales Asia Pte. Limited	3 Anson Road 27-01, Springleaf Tower, 079909	Distribution, Kraft paper	100.00
Slovakia			
East Paper, spol. s.r.o.[1]	Rastislavova 98, 04346 Kosice	Service, Containerboard	26.01
KB Paper, s.r.o.[1]	L. Kassaka 10, 94001 Nove Zamky	Service, Containerboard	25.50
Mondi SCP a.s.	Tatranská cesta 3, 03417 Ružomberok	Production, Kraft paper, Uncoated fine paper	51.00
Obaly SOLO, s.r.o.	Tatranská cesta 3, 03417 Ružomberok	Production, Uncoated fine paper	51.00
RECOPAP, s.r.o.[1]	Bratislavska 18, 90051 Zahor	Service, Containerboard	25.50
Slovpaper Recycling s.r.o.[1]	L. Kassaka 10, Nove Zamky 94001	Service, Containerboard	51.00
SLOVWOOD Ružomberok a.s.	Tatranská cesta 3, 03417 Ružomberok	Distribution, Uncoated fine paper	33.66
STRÁŽNA SLUŽBA VLA-STA s.r.o.	Tatranská cesta 3, 03417 Ružomberok	Distribution, Uncoated fine paper	51.00
Spain			
Mondi Bags Ibérica S.L.	Autovía A-2, Km 582, 08630 Abrera	Production, Industrial bags	100.00
Mondi Ibersac S.L.	Calle La Perenal 4, 48840 Güeñes, Bizcaia	Production, Industrial bags	100.00
Mondi Sales Ibérica S.L.	Calle Joaquin Costa 36 2a, 28002 Madrid	Distribution, Containerboard, Uncoated fine paper, Consumer packaging	100.00
Sweden			
Mondi Dynäs AB	87381 Väja	Production, Kraft paper	100.00

Company	Registered office	Principal activities	% of shares held by Group
Mondi Örebro AB	Papersbruksallen 3A, Box 926, 70130 Örebro	Production, Extrusion coatings	100.00
Mondi Sunne AB	Svarvarevägen 3, Box 56, 68622 Sunne	Production, Extrusion coatings	100.00
Switzerland			
Dipeco AG	Bruehlstrasse 5, 4800, Zofingen	Production, Industrial bags	100.00
Thailand			
Mondi Coating (Thailand) Co. Ltd.	Nr 888/100-101 Soi Yingcharoen Moo 19, Bangplee-Tamru Road, Bangpleeyai, Bangplee, Samutprakam 10540	Service, Consumer packaging	100.00
Mondi TSP Company Limited[3]	110, Moo 3, Nong Chumphon Nuea, Khao Yoi District, Petchaburi Province, 76140	Production, Consumer packaging	97.55
Trinidad and Tobago			
TCL Packaging Limited	Southern Main Road, Claxton Bay	Production, Industrial bags	20.00
Turkey			
Mondi Istanbul Ambalaj Limited Şti.	No. 12A Türkgücü OSB Mah. Yilmaz Alpaslan Caddesi Corlu, Tekirdag, 59870	Production, Industrial bags	100.00
Mondi Kale Nobel Ambalaj Sanayi Ve Ticaret A.Ş.	Sevketiye Cobancesme Kavsagi, A2 Blok, No. 229/230 Yeşilköy, Bakirköy/Istanbul	Production, Consumer packaging	90.00
Mondi Tire Kutsan Kagit Ve Ambalaj Sanayi A.Ş.	Toki Mahallesi, Hasan Tahsin Caddesi, No. 28, Tire, Izmir 35900	Production, Containerboard, Corrugated packaging	77.30
Ukraine			
Mondi Packaging Bags Ukraine LLC	Fabrychna Street 20, Zhydachiv, Lviv Region, 81700	Production, Industrial bags	100.00
UK			
Frantschach Holdings UK Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Holding, Industrial bags	100.00
Hypac Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Dormant, Corrugated packaging	100.00
Medway Packaging Pension Trustee Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Service, Industrial bags	100.00
Mondi Aberdeen Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Distribution, Industrial bags	100.00
Mondi Consumer Goods Packaging UK Ltd[1]	Parkway, Deeside Industrial Park, Deeside, Clwyd, Wales, CH5 2NS	Production, Consumer packaging	100.00
Mondi Finance plc	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Service, Corporate	100.00
Mondi German Investments Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Holding, Corporate	100.00
Mondi Glossop Ltd	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Dormant, Consumer packaging	100.00
Mondi Holcombe Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Dormant, Corrugated packaging	100.00

Company	Registered office	Principal activities	% of shares held by Group
Mondi Investments Limited[4]	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Holding, Corporate	100.00
Mondi Packaging (Delta) Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Dormant, Corrugated packaging	100.00
Mondi Packaging Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Dormant, Corrugated packaging	100.00
Mondi Packaging UK Holdings Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Holding, Corrugated packaging	100.00
Mondi Pension Trustee Limited[4]	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Service, Corporate	100.00
Mondi Rochester Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	In liquidation, Extrusion coatings	100.00
Mondi Scunthorpe Limited[2]	Roxburgh House, Clayfield Road, Foxhills Industrial Estate, Scunthorpe, North Lincolnshire, DN15 8QJ	Production, Consumer packaging	100.00
Mondi Services (UK) Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Service, Corporate	100.00
Mondi UK Consumer Packaging Holding 1 Ltd[1]	Parkway, Deeside Industrial Park, Deeside, Clwyd, Wales, CH5 2NS	Holding, Consumer packaging	100.00
Mondi UK Consumer Packaging Holding 2 Ltd[1]	Parkway, Deeside Industrial Park, Deeside, Clwyd, Wales, CH5 2NS	Holding, Consumer packaging	100.00
Rochette Packaging Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Dormant, Corrugated packaging	100.00
USA			
Mondi Akrosil, LLC	2711 Centreville Road, Suite 400, Wilmington DE 19801	Production, Consumer packaging	100.00
Mondi Bags USA, LLC	Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801	Production, Industrial bags	100.00
Mondi Jackson, LLC	2711 Centerville Road, Suite 400, Wilmington DE 19808	Production, Consumer packaging	100.00
Mondi Minneapolis, Inc.	220 South Sixth Street, Suite 2200, Minneapolis 55402	Service, Consumer packaging	100.00
Mondi Pine Bluff, LLC	2711 Centerville Road, Suite 400, Wilmington DE 19808	Production, Kraft paper	100.00
Mondi Romeoville, Inc.	2711 Centerville Road, Suite 400, Wilmington DE 19808	Production, Industrial bags	100.00
Tekkote Corporation	Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801	Production, Consumer packaging	100.00

Notes:
1 % of shares held by Group in 2016: nil
2 These companies have ordinary and preference shares
3 % of shares held by Group in 2016: 47.55
4 These companies are held directly

Group financial record

Financial performance 2008–2017

Combined and consolidated income statement

€ million	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Group revenue	**7,096**	**6,662**	**6,819**	**6,402**	**6,476**	**5,790**	**5,739**	**5,610**	**5,257**	**6,345**
Underlying EBITDA	1,444	1,366	1,325	1,126	1,068	927	964	798	645	814
Underlying operating profit	**1,018**	**981**	**957**	**767**	**699**	**574**	**622**	**458**	**294**	**441**
Packaging Paper[1]	482	397	423	375	341	257	322	194	41	175
Fibre Packaging	111	123	120	102	86	93	74	36	63	57
Consumer Packaging	132	121	108	96	79	23	32	36	17	12
Uncoated Fine Paper[1]	331	375	341	227	224	234	246	236	168	208
Corporate	(38)	(35)	(35)	(33)	(31)	(33)	(33)	(33)	(37)	(39)
Discontinued and disposed operations	—	—	—	—	—	—	(19)	(11)	42	28
Special items	(61)	(38)	(57)	(52)	(87)	(91)	(55)	(21)	(125)	(385)
Net finance costs (excluding financing special item)	(71)	(101)	(105)	(97)	(115)	(110)	(111)	(106)	(114)	(159)
Underlying earnings	**724**	**667**	**647**	**519**	**460**	**334**	**340**	**206**	**95**	**172**
Basic earnings	671	638	600	471	386	242	330	224	(33)	(211)
Basic underlying EPS (euro cents)	**149.5**	**137.8**	**133.7**	**107.3**	**95.0**	**69.2**	**68.1**	**40.6**	**18.7**	**33.9**
Basic EPS (euro cents)	138.6	131.8	124.0	97.4	79.8	50.1	57.5	37.8	(6.5)	(41.6)
Total dividend per share paid and proposed (euro cents)[2]	**162.0**	**57.0**	**52.0**	**42.0**	**36.0**	**28.0**	**26.0**	**20.0**	**9.5**	**12.7**

Note:

1 Underlying operating profit of Packaging Paper and Uncoated Fine Paper for the years 2008 to 2014 has been restated for the reorganisation of the Group's business units based on management reporting (unaudited)

2 For the year 2017, the total dividend per share paid and proposed includes a proposed special dividend of 100 euro cents

Significant ratios

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Underlying EBITDA growth (%)	5.7	3.1	17.7	5.4	15.2	(3.8)	20.8	23.7	(20.8)	(6.4)
Underlying EBITDA margin (%)	20.3	20.5	19.4	17.6	16.5	16.0	16.8	14.2	12.3	12.8
Underlying operating profit margin (%)	14.3	14.7	14.0	12.0	10.8	9.9	10.8	8.2	5.6	7.0
ROCE (%)	**19.7**	**20.3**	**20.5**	**17.2**	**15.3**	**13.6**	**15.0**	**12.3**	**7.6**	**9.5**
Net debt to 12-month trailing underlying EBITDA (times)	0.9	1.0	1.1	1.4	1.5	2.0	0.9	1.7	2.4	2.1
Ordinary dividend cover (times)	2.4	2.4	2.6	2.6	2.6	2.5	2.6	2.0	2.0	2.7
PE Ratio	14.5	14.2	13.5	12.6	13.2	11.9	8.0	14.8	20.2	6.3
Mondi plc – Share price at end of year (GBP cents per share)	1,931	1,666	1,334	1,050	1,046	670	455	514	335	204
Mondi Limited – Share price at end of year (ZAR per share)	319.27	279.99	307.27	188.74	179.70	92.16	57.30	51.42	40.14	32.31
Market capitalisation (€ million)	10,523	9,457	8,803	6,563	6,081	4,001	2,655	3,097	1,969	1,160

Significant cash flows

€ million	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Cash generated from operations	**1,325**	**1,401**	**1,279**	**1,033**	**1,036**	**849**	**917**	**778**	**867**	**795**
Working capital cash flows	(122)	68	9	(87)	(27)	(83)	(68)	(121)	248	27
Tax paid	(151)	(173)	(160)	(106)	(126)	(109)	(85)	(47)	(32)	(71)
Capital expenditure cash outflows	**(611)**	**(465)**	**(595)**	**(562)**	**(405)**	**(294)**	**(263)**	**(394)**	**(517)**	**(693)**
Interest paid	(83)	(82)	(93)	(125)	(124)	(92)	(106)	(117)	(163)	(169)
Dividends paid to shareholders	**(273)**	**(274)**	**(209)**	**(193)**	**(138)**	**(128)**	**(126)**	**(54)**	**(39)**	**(118)**

Combined and consolidated statement of financial position

€ million	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Property, plant and equipment	3,962	3,788	3,554	3,432	3,428	3,709	3,377	3,976	3,847	3,611
Goodwill	698	681	590	545	550	561	202	274	269	283
Working capital	899	799	794	811	711	764	575	660	527	753
Other assets	529	532	422	434	429	503	408	466	419	424
Other liabilities	(723)	(721)	(675)	(715)	(653)	(789)	(696)	(788)	(721)	(685)
Net assets excluding net debt	**5,365**	**5,079**	**4,685**	**4,507**	**4,465**	**4,748**	**3,866**	**4,588**	**4,341**	**4,386**
Equity	3,714	3,392	2,905	2,628	2,591	2,572	2,586	2,763	2,399	2,323
Non-controlling interests in equity	325	304	282	266	255	301	449	461	425	373
Net debt[1]	1,326	1,383	1,498	1,613	1,619	1,875	831	1,364	1,517	1,690
Capital employed	**5,365**	**5,079**	**4,685**	**4,507**	**4,465**	**4,748**	**3,866**	**4,588**	**4,341**	**4,386**

Note:
1 Net debt prior to 2012 does not include the effect of net debt-related derivatives

Production statistics

		2017	(Restated) 2016
Packaging Paper			
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	—
Fibre Packaging			
Corrugated board and boxes	million m^2	1,650	1,448
Industrial bags	million units	4,952	4,881
Extrusion coatings	million m^2	1,281	1,249
Consumer Packaging			
Consumer packaging	million m^2	7,437	7,156
Uncoated Fine Paper			
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

	Average		Closing	
versus euro	**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

Additional information for Mondi plc shareholders

The disclosures below form part of the Directors' report on pages 134 and 135 of this report.

Introduction

Set out below is a summary of certain provisions of Mondi plc's articles of association (Articles) and applicable English law concerning companies (the Companies Act). This is a summary only and the relevant provisions of the Articles or the Companies Act should be consulted if further information is required.

Share capital

Mondi plc's issued share capital as at 31 December 2017 comprised 367,240,805 ordinary shares of 20 euro cents each (the Ordinary Shares) representing 71.4% of the total share capital, 118,312,975 PLC Special Converting Shares of 20 euro cents each representing 23.0% of the total share capital, 146,896,322 deferred shares of 4 euro cents each (the Deferred Shares) representing 5.5% of the total share capital, the PLC Special Rights Share of €1, the PLC Special Voting Share of €1, the UK DAN Share of €1 and the UK DAS Share of €1. Each of the PLC Special Rights Share, PLC Special Voting Share, UK DAN Share and UK DAS Share represent only a nominal percentage of the total share capital.

The shares are in registered form.

Purchase of own shares

Subject to the provisions of the Articles and the Companies Act, Mondi plc may purchase, or may enter into a contract under which it will or may purchase, any of its own shares of any class, including any redeemable shares.

Ordinary Shares

Dividends and distributions

Subject to the provisions of the Companies Act, Mondi plc may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the board. The board may pay interim dividends whenever the financial position of Mondi plc, in the opinion of the board, justifies such payment.

The board may withhold payment of all or any part of any dividends or other monies payable in respect of Mondi plc's shares from a person with a 0.25% or more interest in nominal value of the issued shares, if such a person has been served with a notice after failure to provide Mondi plc with information concerning interest in those shares required to be provided under the Companies Act.

Voting rights

Subject to any special rights or restrictions attaching to any class of shares, at a general meeting, every member present in person has, upon a show of hands, one vote. Every duly appointed proxy has, upon a show of hands, one vote unless the proxy is appointed by more than one member, in which case the proxy has one vote for and one vote against if (i) the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution or (ii) the proxy has been instructed by one or more members to vote either for or against the resolution and by one or more members to use his discretion as to how to vote. On a poll every member who is present in person or by proxy has one vote for every fully paid share of which he is the holder. In the case of joint holders of a share, the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the shares. Under the Companies Act, members are entitled to appoint a proxy, who need not be a member of Mondi plc, to exercise all or any of their rights to attend and to speak and vote on their behalf at a general meeting or class meeting. A member may appoint more than one proxy in relation to a general meeting or class meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy is not entitled to delegate the proxy's authority to act on behalf of a member to another person. A member that is a corporation may appoint one or more individuals to act on its behalf at a general meeting or class meeting as a corporate representative.

Restrictions on voting

No member shall be entitled to vote either in person or by proxy at any general meeting or class meeting in respect of any shares held by him if any call or other sum then payable by him in respect of that share remains unpaid. In addition no member shall be entitled to vote if he has been served with a notice after failure to provide Mondi plc with information concerning interests in those shares required to be provided under the Companies Act.

Deadlines for exercising voting rights

Votes are exercisable at a general meeting of Mondi plc in respect of which the business being voted upon is being heard. Votes may be exercised in person, by proxy, or in relation to corporate members, by corporate representatives. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.

Additional information for Mondi plc shareholders

Variation of rights

Subject to the Companies Act, the Articles specify that rights attached to any class of shares may be varied with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting the quorum shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares). The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking pari passu with them.

Where, under an employee share plan operated by Mondi plc, participants are the beneficial owners of the shares but not the registered owner, the voting rights are normally exercised by the registered owner at the direction of the participant.

Transfer of shares

All transfers of shares which are in certificated form may be effected by transfer in writing in any usual or common form or in any other form acceptable to the directors. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully-paid shares) by or on behalf of the transferee and shall specify the name of the transferor, the name of the transferee and the number of shares being transferred. Transfers of shares which are in uncertificated form are effected by means of the CREST system.

The directors may also refuse to register an allotment or transfer of shares (whether fully paid or not) in favour of more than four persons jointly. If the directors refuse to register an allotment or transfer they shall, within 30 days after the date on which the letter of allotment or transfer was lodged with Mondi plc, send to the allottee or transferee a notice of the refusal.

The directors may decline to register any instrument of transfer unless: (i) the instrument of transfer is in respect of only one class of share, (ii) when submitted for registration is accompanied by the relevant share certificates and such other evidence as the directors may reasonably require and (iii) it is fully paid.

Subject to the Companies Act and regulations and applicable CREST rules, the directors may determine that any class of shares may be held in uncertificated form and that title to such shares may be transferred by means of the CREST system or that shares of any class should cease to be so held and transferred.

A shareholder does not need to obtain the approval of Mondi plc, or of other shareholders of shares in Mondi plc, for a transfer of shares to take place.

Some of the Mondi plc employee share plans include restrictions on transfer of shares while the shares are subject to such plan.

Deferred Shares

The rights and privileges attached to the Deferred Shares are as follows: no entitlement to receive any dividend or distribution declared, made or paid or any return of capital (save as described below) and does not entitle the holder to any further or other right of participation in the assets of Mondi plc.

On a return of capital on winding up, but not on a return of capital on any other class of shares of Mondi plc, otherwise than on a winding up of Mondi plc, the holders of the Deferred Shares shall be entitled to participate but such entitlement is limited to the repayment of the amount paid up or credited as paid up on such share and shall be paid only after the holders of any and all Ordinary Shares then in issue shall have received (i) payment in respect of such amount as is paid up or credited as paid up on those Ordinary Shares held by them at that time plus (ii) the payment in cash or in specie of £10,000,000 on each such Ordinary Share.

The holders of the Deferred Shares are not entitled to receive notice of, nor attend, speak or vote at, any general meeting of Mondi plc.

Shares required for the DLC structure

Mondi SCS (UK) Limited, a UK trust company, specially formed for the purpose of the DLC structure, holds the PLC Special Voting Share, the PLC Special Converting Shares, the PLC Special Rights Share, the UK DAN Share and the UK DAS Share. These shares can only be transferred to another UK trust company, in limited circumstances.

The PLC Special Voting Share is a specially created share so that shareholders of both Mondi plc and Mondi Limited effectively vote together as a single decision-making body on matters affecting shareholders of both companies in similar ways, as set out in the Articles.

Prior to a change of control, approval of termination of the sharing agreement (which regulates the DLC), liquidation or insolvency of Mondi plc, the PLC Special Converting Shares have no voting rights except in relation to a resolution proposing the (i) variation of the rights attaching to the shares or (ii) winding up, and they have no rights to dividends. The PLC Special Converting Shares are held on trust for the Mondi Limited ordinary shareholders.

The PLC Special Rights Share does not have any rights to vote or any right to receive any dividend or other distribution by Mondi plc, save in respect to capitalisation of reserves.

Mondi plc and Mondi Limited have established dividend access trust arrangements as part of the DLC. Mondi plc has issued two dividend access shares, the UK DAS Share and UK DAN Share, which enable Mondi plc to pay dividends to the shareholders of Mondi Limited. This facility may be used by the board to address imbalances in the distributable reserves of Mondi plc and Mondi Limited and/or to address the effects of South African exchange controls and/or if they otherwise consider it necessary or desirable.

Directors

Appointment and replacement of directors

Directors shall be no less than four and no more than 20 in number. A director is not required to hold any shares of Mondi plc by way of qualification. Mondi plc may by special resolution increase or reduce the maximum or minimum number of directors.

At each Annual General Meeting held in each year at least one-third of the directors, including at least one-third of non-executive directors, or if their number is not a multiple of three then the number nearest to, but not less than, one-third, shall retire from office. Any further directors to retire shall be those of the other directors subject to retirement by rotation who have been longest in office since their last election or re-election or, if later, deemed election or re-election and so that as between persons who became or were last re-elected directors on the same day, those to retire shall, unless they otherwise agree among themselves, be determined by lot. In casting the lot, the provision that a director must also be a director of Mondi Limited and the corresponding provision of the Mondi Limited memorandum of incorporation shall be observed. A retiring director shall be eligible for re-election.

The board may appoint any person to be a director (so long as the total number of directors does not exceed the limit prescribed in the Articles). Any such director shall hold office only until the next Annual General Meeting and shall then be eligible for re-election, but shall not be taken into account in determining the number of directors who are to retire by rotation at such meeting.

Powers of the directors

Subject to the Articles, the Companies Act and any directions given by special resolution, the business of Mondi plc will be managed by the board who may exercise all the powers of Mondi plc.

The board may exercise all the powers of Mondi plc to borrow money and to mortgage or charge any of its undertaking, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of Mondi plc or of any third party.

Significant agreements: change of control

The Articles of Mondi plc and the memorandum of incorporation of Mondi Limited ensure that a person cannot make an offer for one company without having made an equivalent offer to the shareholders of both companies on equivalent terms.

Pursuant to the terms of the agreements establishing the DLC structure, if either Mondi plc or Mondi Limited serves written notice on the other at any time after either party becomes a subsidiary of the other party or after both Mondi plc and Mondi Limited become subsidiaries of a third party, the agreements establishing the DLC structure will terminate.

All of Mondi plc's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time.

Amendment of the Articles

Any amendments to the Articles of Mondi plc may be made in accordance with the provisions of the Companies Act by way of special resolution.

Shareholder information

Mondi has a dual listed company (DLC) structure comprising Mondi Limited, a company registered in South Africa and Mondi plc, a company registered in the UK. Mondi Limited has a primary listing on the JSE Limited while Mondi plc has a premium listing on the London Stock Exchange and a secondary listing on the JSE Limited.

Under the DLC structure any ordinary share held in either Mondi Limited or Mondi plc gives the holder an effective economic interest in the whole Mondi Group. The relationship between Mondi Limited and Mondi plc is underpinned by the DLC structure principles, which provide that:

→ Mondi Limited and Mondi plc and their subsidiaries must operate as if they are a single corporate group; and

→ the directors of Mondi Limited and Mondi plc will, in addition to their duties to the company concerned, have regard to the interests of the Mondi Limited shareholders and the Mondi plc shareholders as if the two companies were a single unified economic enterprise and for that purpose the directors of each company will take into account, in the exercise of their powers, the interests of the shareholders of the other.

Financial calendar

16 May 2018	2018 Annual General Meetings
16 May 2018	Trading update
25 May 2018	Payment date for 2017 final ordinary and special dividends (see below)
3 August 2018	2018 half-yearly results announcement
September 2018	2018 interim dividend payment
11 October 2018	Trading update

Analysis of shareholders

As at 31 December 2017 Mondi Limited had 118,312,975 ordinary shares in issue and Mondi plc had 367,240,805 ordinary shares in issue, of which 87,887,964 were held on the South African branch register.

By size of holding

Mondi Limited

Number of shareholders	% of shareholders	Size of shareholding	Number of shares	% of shares
6,893	71.81	1 – 500	1,087,581	0.92
948	9.88	501 – 1,000	702,970	0.59
944	9.83	1,001 – 5,000	2,115,669	1.79
571	5.95	5,001 – 50,000	9,693,064	8.19
220	2.29	50,001 – 1,000,000	45,131,723	38.15
23	0.24	1,000,001 – highest	59,581,968	50.36
9,599	100.00		118,312,975	100.00

Mondi plc

Number of shareholders	% of shareholders	Size of shareholding	Number of shares	% of shares
2,087	53.14	1 – 500	435,332	0.12
472	12.02	501 – 1,000	342,498	0.09
549	13.98	1,001 – 5,000	1,215,566	0.33
459	11.69	5,001 – 50,000	8,444,242	2.30
306	7.79	50,001 – 1,000,000	71,875,821	19.57
54	1.38	1,000,001 – highest	284,927,346	77.59
3,927	100.00		367,240,805	100.00

By type of holding

Mondi Limited

	Number of holders	Number of shares	% of shares
Public[1]	9,597	117,963,125	99.70
Non-public	2	349,850	0.30
Directors of Mondi Limited/Mondi plc	1	208	0.00
Mondi staff share schemes[2]	1	349,642	0.30
Total	9,599	118,312,975	100.00

Mondi plc

	Number of holders	Number of shares	% of shares
Public[1]	3,917	366,040,408	99.67
Non-public	10	1,200,397	0.33
Directors of Mondi Limited/Mondi plc	8	234,354	0.07
Mondi staff share schemes[2]	2	966,043	0.26
Total	3,927	367,240,805	100.00

1 As per the Listings Requirements of the JSE Limited.
2 Shares held for the purposes of Mondi staff share schemes are held in trust.

Managing your shares

Registrars

To manage your shares or if you have any queries, please contact the relevant Registrar:

	Mondi Limited shares and Mondi plc shares on the South African branch register	Mondi plc shares on the UK register
Registrar	Link Market Services South Africa Proprietary Limited (Link Market Services)	Link Asset Services
Postal address	PO Box 4844 Johannesburg, 2000 South Africa	The Registry 34 Beckenham Road Beckenham Kent BR3 4TU UK
Helpline number	011 713 0800 (if calling from South Africa) +27 11 713 0800 (if calling from outside South Africa)	0871 664 0300 (if calling from the UK; calls cost 12p per minute plus your phone company's access charge; lines are open Monday to Friday between 9:00am to 5:30pm excluding public holidays in England and Wales) +44 371 664 0300 (if calling from outside the UK; calls will be charged at the applicable international rate)
Email	info@linkmarketservices.co.za	enquiries@linkgroup.co.uk
Online	Not available	www.signalshares.com

Sign up to email communications

Many of our shareholders choose to receive shareholder information electronically rather than by post. Benefits include faster notification of shareholder information, reduced costs and being more environmentally friendly.

Mondi plc shareholders on the UK register can sign up to email communications by contacting Link Asset Services or via their online portal, Signal Shares.

Shareholder information

Mondi Limited shareholders and Mondi plc shareholders on the South African branch register holding their shares in certificated form can sign up to email communications by contacting Link Market Services or by emailing corpactfax@linkmarketservices.co.za. Mondi Limited shareholders and Mondi plc shareholders on the South African branch register with dematerialised shares should contact their Central Securities Depository Participant (CSDP) or broker.

You will be notified by email each time new financial reports, notices of shareholder meetings and other shareholder communications are published on our website at: www.mondigroup.com.

Manage your shares online

Mondi plc shareholders on the UK register can sign up to Signal Shares, a free secure online site provided by Link Asset Services, where you can manage your shareholding quickly and easily. You can:

- → View your holding and get an indicative valuation
- → Change your address
- → Arrange to have dividends paid into your bank account
- → Request to receive shareholder communications by email rather than post
- → View your dividend payment history
- → Make dividend payment choices
- → Buy and sell shares and access stock market news and information
- → Register your proxy voting instruction
- → Download a Stock Transfer form

To register for Signal Shares just visit www.signalshares.com. All you need is your investor code which can be found on your share certificate, dividend confirmation or proxy form.

Dividends

A proposed final ordinary dividend for the year ended 31 December 2017 of 42.90 euro cents per ordinary share will be paid to Mondi plc shareholders and an equivalent South African rand final ordinary dividend will be paid to Mondi Limited shareholders in accordance with the below timetable.

Also in accordance with the below timetable, a proposed special dividend of 100 euro cents per ordinary share will be paid to Mondi plc shareholders and an equivalent South African rand special dividend will be paid to Mondi Limited shareholders.

Payment of the final ordinary and special dividends is subject to the approval of the shareholders of Mondi plc and Mondi Limited at the respective Annual General Meetings scheduled for 16 May 2018.

	Mondi Limited	Mondi plc
Last date to trade shares cum-dividend		
JSE Limited	30 April 2018	30 April 2018
London Stock Exchange	Not applicable	2 May 2018
Shares commence trading ex-dividend		
JSE Limited	2 May 2018	2 May 2018
London Stock Exchange	Not applicable	3 May 2018
Record date		
JSE Limited	4 May 2018	4 May 2018
London Stock Exchange	Not applicable	4 May 2018
Last date for receipt of Dividend Reinvestment Plan (DRIP) elections by Central Securities Depository Participants	10 May 2018	10 May 2018
Last date for DRIP elections to UK Registrar and South African Transfer Secretaries by shareholders of Mondi Limited and Mondi plc	11 May 2018	4 May 2018[1]
Payment date		
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[2]
Currency conversion dates		
ZAR/euro	2 March 2018	2 March 2018
Euro/sterling	Not applicable	8 May 2018

1 11 May 2018 for Mondi plc South African branch register shareholders.

2 31 May 2018 for Mondi plc South African branch register shareholders.

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.

Dividend tax will be withheld from the amount of the gross final ordinary and special dividends paid to Mondi Limited shareholders and Mondi plc shareholders on the South African branch register at the rate of 20%, unless a shareholder qualifies for an exemption.

Your dividend currency

All dividends are declared in euro but are paid in the following currencies:

Mondi Limited	South African rand
Mondi plc	euro
Mondi plc (UK residents)	pounds sterling
Mondi plc (South African residents)	South African rand

- → Mondi plc shareholders on the UK register resident in the UK may elect to receive their dividends in euro
- → Mondi plc shareholders on the UK register resident outside the UK may elect to receive their dividends in pounds sterling

Mondi plc shareholders on the UK register wishing to elect to receive their dividends in an alternative currency should contact Link Asset Services in the UK using the details provided.

Payment of your dividends

Mondi encourages shareholders to have their dividends paid directly into their bank accounts. This means that the dividend will reach your bank account more securely and on the payment date without the inconvenience of depositing a cheque.

Mondi Limited shareholders and Mondi plc shareholders on the South African branch register

- → Shareholders with a South African bank account can elect to receive dividends directly into their bank account by contacting Link Market Services.
- → Shareholders without a South African bank account are encouraged to dematerialise their shares with a CSDP in South Africa as a CSDP is often able to pay dividends into foreign bank accounts. Find out more by contacting Link Market Services or any CSDP.

Mondi plc shareholders on the UK register

- → Shareholders with a UK bank account can elect to receive dividends directly into their bank account via Signal Shares or by contacting Link Asset Services.
- → Shareholders without a UK bank account may be able to take advantage of the International Payment Service offered by Link Asset Services. Find out more via Signal Shares or by contacting Link Asset Services.

Reinvest your dividends

The dividend reinvestment plans (DRIPs) provide an opportunity for shareholders to have their Mondi Limited and Mondi plc cash dividends reinvested in Mondi Limited and Mondi plc ordinary shares respectively.

The plans are available to all Mondi Limited and Mondi plc ordinary shareholders (excluding those in certain restricted jurisdictions). Fees may apply.

If you wish to participate in the DRIPs you can sign up via Signal Shares or by contacting either Link Market Services in South Africa or Link Asset Services in the UK as appropriate.

South African dematerialisation

Mondi encourages Mondi Limited shareholders and Mondi plc shareholders on the South African branch register to consider dematerialising their shares. By surrendering your share certificate, you will hold your shares electronically with a CSDP in South Africa.

Holding shares electronically can help to prevent share fraud, theft and loss of share certificates. Once dematerialised, your dividends can be paid directly into a bank account and your shares will be easier to sell.

Find out more by contacting Link Market Services or any CSDP.

Taxation

Mondi is unable to advise shareholders on taxation. Your tax obligations will vary depending on your jurisdiction and financial circumstances. With regard to your Mondi shareholding, we recommend all shareholders maintain records of dividend payments, share purchases and sales. A dividend confirmation will be sent with all dividend payments. For further assistance, please speak to an independent professional tax or financial adviser.

Shareholder information

Donating shares to charity

If you have a small number of shares which would cost you more to sell than they are worth, there is the option to donate these unwanted shares to charity free of charge. These shares are then aggregated, sold and the proceeds distributed to various charities. Donate your shares or find out more using the relevant contact details below:

	Mondi Limited shares or Mondi plc shares on the South African branch register	**Mondi plc shares on the UK register**
	Strate Charity Shares	ShareGift
Postal address	PO Box 78608 Sandton, 2146 South Africa	PO Box 72253 London SW1P 9LQ UK
Helpline number	0800 202 363 (if calling from South Africa) +27 11 870 8207 (if calling from outside South Africa)	+44 (0)20 7930 3737
Email	charityshares@computershare.co.za	help@sharegift.org
Online	http://www.strate.co.za/we-care/strate-charity-shares	www.sharegift.org

Fraud

Shareholders should be aware that they may be targeted by certain organisations offering unsolicited investment advice or the opportunity to buy or sell worthless or non-existent shares. Should you receive any unsolicited calls or documents to this effect, you are advised not to give out any personal details or to hand over any money without ensuring that the organisation is authorised by the UK Financial Conduct Authority (FCA) and doing further research.

If you are unsure or think you may have been targeted you should report the organisation to the FCA. For further information, please visit the FCA's website at www.fca.org.uk, email consumer.queries@fca.org.uk or call the FCA consumer helpline on 0800 111 6768 if calling from the UK or +44 20 7066 1000 if calling from outside the UK.

Shareholders can also contact Link Asset Services in the UK, Link Market Services in South Africa or Mondi's company secretarial department on +44 (0)1932 826300.

Account amalgamations

If you receive more than one copy of any documents sent out by Mondi or for any other reason you believe you may have more than one Mondi Limited or Mondi plc account, please contact the relevant Registrar who will be able to confirm and, if necessary, arrange for the accounts to be amalgamated into one.

Alternative formats

If you would like to receive this report in an alternative format, such as in large print, Braille or in audio format, please contact Mondi's company secretarial department on +44 (0)1932 826300.

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Registered in England and Wales
Registered No. 6209386

Website: www.mondigroup.com

Glossary of terms

In addition to the terms explained below, the Group presents certain financial measures that are not defined or specified according to IFRS. These measures, referred to as APMs, are defined in note 33 in the notes to the combined and consolidated financial statements.

CoC
Chain-of-Custody is a tracking system that allows manufacturers and traders to demonstrate that timber comes from a forest that is responsibly managed in accordance with credible standards.

COD
Chemical oxygen demand is a measure of the oxygen consuming capacity of inorganic and organic matter present in the waste water. It is a metric for emissions to water and is measured in tonnes.

FSC
Forest Stewardship Council™ (FSC™) is an international not-for-profit, multi-stakeholder organisation established in 1993 to promote socially and environmentally responsible management of the world's forests by way of standard setting, third-party certification and labelling of forest products.

GHG and CO_2e
Greenhouse gases (GHG) are gases listed in the Kyoto Protocol of the United Nations Framework Convention on Climate Change (UN-FCCC) that contribute to the greenhouse effect and are regulated by the Kyoto Protocol. We convert non-CO_2 GHGs (such as CH_4 or N_2O) into an amount of CO_2 with an equivalent warming potential. Total GHG emissions are the sum of the equivalent amount of CO_2 for each GHG, abbreviated as CO_2e.

GRI
The Global Reporting Initiative (GRI) is a not-for-profit organisation that produces one of the world's most prevalent frameworks for sustainability reporting.

PEFC
Programme for the Endorsement of Forest Certification™ (PEFC™) is an international not-for-profit non-government organisation dedicated to promoting sustainable forest management through independent third-party certification.

Specific
Figures reported in specific terms are normalised to saleable production tonnes.

Sustainable Development Goals (SDGs)
The UN Sustainable Development Goals were launched in 2015, involving a comprehensive, far-reaching and people-centred set of 17 universal and transformative goals and 169 targets. They are integrated and indivisible, and will stimulate action over the next years until 2030 in areas of critical importance for humanity and the planet: people, planet, prosperity, peace and partnerships.

TRCR
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.

TRS
Total reduced sulphur compounds, generated in the pulping process, and a source of emissions to air measured in tonnes.

United Nations Global Compact (UNGC)
UNGC is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

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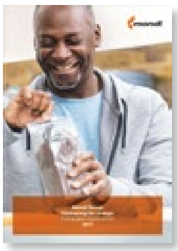
Surrey KT15 2PG, UK
+44 1932 826 300
www.mondigroup.com

Our 2017 suite of reports

Please visit our Group website where copies of our reports can be downloaded:
www.mondigroup.com/investors/reports17

Integrated report and financial statements 2017
A balanced overview of Mondi's performance in 2017 and insight into how our approach to strategy, governance, people and performance combine to generate value in a sustainable way.
Also available online at
www.mondigroup.com/ir17



Partnering for change: Sustainable development 2017
A printed publication looking at how we're using our Growing Responsibly model to deliver meaningful improvements across some of the aspects of sustainability that are more relevant for our business and our stakeholders.
Also available online at
www.mondigroup.com/sdpublication17

Online Sustainable development report 2017
A comprehensive view of our approach to sustainable development and our performance in 2017, prepared in accordance with the GRI G4 Core guidelines.
Available online as an interactive pdf at www.mondigroup.com/sd17

PERGRAPHICA®

Printed on certified Mondi PERGRAPHICA®
Classic Rough in 300gsm, 150gsm and 90gsm

Printing: CPI Colour | www.cpicolour.co.uk
Design and production: Radley Yeldar | www.ry.com