Mondi Limited

(Incorporated in the Republic of South Africa)
(Registration number: 1967/013038/06)
JSE share code: MND ISIN: ZAE000156550

Mondi plc

(Incorporated in England and Wales)
(Registered number: 6209386)
LEI: 213800LOZA69QFDC9N34

JSE share code: MNP ISIN: GB00B1CRLC47
LSE share code: MNDI

28 February 2019

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

Full year results for the year ended 31 December 2018

Highlights

- **Strong financial performance on all key metrics**
  - Revenue of €7,481 million, up 5%
  - Underlying EBITDA of €1,764 million, up 19%
  - Underlying operating profit of €1,318 million, up 28%
  - Basic underlying earnings of 189.1 euro cents per share, up 27%
  - Profit before tax of €1,105 million, up 25%
  - Recommended full year ordinary dividend of 76.0 euro cents per share, up 23%
- **Robust operational performance and strong cost control across the Group**
- **Capital investment projects on track and delivering growth**
  - Successful start-up of the modernisation of Štětí (Czech Republic)
  - Focused capital investment project pipeline in progress, securing future growth
- **Good progress integrating acquisitions, total spend €424 million**
- **Well positioned with sustainable packaging solutions portfolio**
- **Announced intention to simplify corporate structure**
- **Delivering against our 2020 Growing Responsibly commitments**

Financial Summary

€ million, except for percentages and per share measures	Year ended 31 December 2018	Restated[3] Year ended 31 December 2017	Change %	Six months ended 31 December 2018	Restated[3] Six months ended 31 December 2017	Change %
Group revenue	**7,481**	7,096	5	**3,754**	3,514	7
Underlying EBITDA[1]	**1,764**	1,482	19	**912**	752	21
Underlying operating profit[1]	**1,318**	1,029	28	**688**	526	31
Operating profit	**1,192**	968	23	**662**	460	44
Profit before tax	**1,105**	884	25	**615**	423	45
Per share measures						
Basic underlying earnings per share[1] (euro cents)	**189.1**	148.9	27			
Basic earnings per share (euro cents)	**170.1**	137.9	23			
Total ordinary dividend per share (euro cents)	**76.0**	62.0	23			
Special dividend per share (euro cents)	**—**	100.0				
Cash generated from operations	**1,654**	1,363	21			
Net debt	**2,220**	1,532				
Underlying EBITDA margin[1]	**23.6%**	20.9%				
Return on capital employed (ROCE)[2]	**23.6%**	19.3%				

Notes:

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

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

3 The audited annual financial statements for the year ended 31 December 2017 were restated due to the adoption of IFRS 16, 'Leases', which has been disclosed in notes 2a and 2b of the condensed combined and consolidated financial statements

Peter Oswald, Mondi Group Chief Executive Officer, said:

"Mondi delivered a strong performance in 2018, with underlying EBITDA up 19% to €1,764 million. We benefited from good demand across our fibre packaging businesses, higher average selling prices and the contribution from our recent acquisitions. I am particularly pleased to report on a robust operating performance, delivering productivity gains and strong cost containment, mitigating the inflationary pressures on our cost base.

We continue to make good progress in delivering value accretive growth and enhancing the ongoing cost competitiveness of our operations through our capital expenditure programme. During the fourth quarter of 2018, we successfully started up the €335 million modernisation of our kraft paper facility in Štětí and we received the final permits

to proceed with our investment in a 300,000 tonne kraft top white machine at our Ružomberok mill (Slovakia), while work to upgrade the pulp mill at the same site is progressing well. Expansionary capital expenditure projects at a number of our packaging operations and the integration of acquisitions completed in the year will further enhance our production capabilities and product offering to customers.

In November 2018, we announced a proposal to simplify our dual listed structure into a single holding company structure under Mondi plc, which we believe will streamline cash and dividend flows, enhance our strategic flexibility, increase transparency and remove the complexity associated with the current structure.

Looking ahead, while there are macro-economic uncertainties, we remain confident in the structural growth drivers in the packaging sectors in which we operate. Pricing is mixed going into 2019, with recent price reductions in containerboard grades and market pulp and stronger pricing in our kraft paper markets. During 2019, we are planning longer maintenance and project related shuts, while looking forward to the incremental contribution from recently completed major capital projects and acquisitions.

Mondi is uniquely positioned to develop sustainable packaging solutions. With our robust business model, strong balance sheet, focus on leveraging key industry trends of sustainability, e-commerce and enhancing brand value, and culture of continuously driving performance, we continue to look to the future with confidence."

Group performance review

2018 was a successful year for the Group. We delivered strong results, building on our track record of value accretive growth, which is testament to our consistent and focused strategy, robust business model, integrated approach to sustainability and firm commitment to drive performance.

Group revenue of €7,481 million was up 5% on the prior year. Excluding the impact of acquisitions and divestitures, revenue was up 4%, mainly due to higher average selling prices achieved across all our businesses. We saw volume growth in Fibre Packaging, driven by the benefit of previously completed capital investment projects, operational improvements and strong organic volume growth in Industrial Bags. Consumer Packaging volumes were impacted by our targeted approach to exit lower margin business and a decline in volumes in personal care components. While core product volumes in the Uncoated Fine Paper business were up year-on-year, market pulp and newsprint volumes were negatively impacted, respectively, by the extended shut at our Richards Bay mill (South Africa) and the strategic decision taken in the prior year to exit the newsprint market in South Africa.

Underlying EBITDA of €1,764 million was up 19% on the prior year, with strong contributions from Fibre Packaging and Uncoated Fine Paper. A combination of higher selling prices, strong operational performance, the contribution from acquisitions and the benefits of our ongoing cost reduction initiatives more than offset higher variable and fixed costs and negative currency effects.

Our passion for performance is central to the way we run our business - from our focus on commercial excellence and lean processes, to rigorous quality management and operational excellence programmes that enhance productivity and efficiency. We invest in our existing operations and, where appropriate, in acquisitions. We aim to acquire businesses that 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.

We are pleased that the need for sustainable packaging has moved sharply into focus. We are uniquely positioned, as a manufacturer of paper, but also flexible plastic packaging, to create the best solutions for forward-thinking, consumer brands in collaboration with sustainable materials suppliers and recyclers. Our paper and flexible plastic packaging solutions regularly win awards, but commercial demand for some of our most innovative sustainable packaging was limited before 2018. The public focus on the impact of plastic waste is changing that. This momentum gives us an important opportunity to lead our industry with innovative, sustainable paper and plastic packaging solutions. By taking a holistic view, we can develop packaging that considers the needs of customers, their products and the planet.

In June 2018, we completed the acquisition of Powerflute (Finland), an integrated pulp and paper mill with a production capacity of 285,000 tonnes per annum of high-performance semi-chemical fluting, for a total consideration of €365 million on a debt and cash-free basis. The integration is progressing well and further broadens our containerboard product range and geographic reach. We also completed two industrial bag plant acquisitions in Egypt bolstering our presence in the fast growing Middle East industrial bag market, enabling us to better serve our customers in the region. In June 2018, we completed the sale of a flat sack kraft paper mill in Pine Bluff, Arkansas (US), with 130,000 tonnes of annual production capacity.

The impact of maintenance shuts on underlying EBITDA in 2018 was around €110 million (2017: €95 million). Based on prevailing market prices, we estimate that the impact of planned maintenance shuts on underlying EBITDA in 2019 will be around €150 million, of which the first half year effect is estimated at around €90 million (2018: €55 million). This includes an extended maintenance shut planned at our large Syktyvkar mill (Russia) in the second quarter and a project related shut at our Ružomberok mill in the second half.

Input costs were generally higher than the prior year period, mitigated by our ongoing cost reduction initiatives. Wood costs were generally higher in local currency terms. Strong wood cost inflation was seen in northern and certain central European markets, while wood costs were lower in Poland and the Czech Republic driven by favourable regional wood supply dynamics. Energy and chemical costs were up year-on-year mainly due to higher crude oil and gas prices. Caused mainly by Chinese import policies, average benchmark paper for recycling costs were down 33% on the prior year, declining sharply during the first quarter and stabilising thereafter. Polyethylene prices were slightly lower year-on-year.

Despite general labour cost inflation, most evident in central and eastern Europe, Russia and South Africa, and higher maintenance costs at a number of our key pulp and paper mills, we were able to limit the overall increase in fixed costs due to the success of our ongoing cost containment and productivity improvement initiatives.

Currency movements had a net negative impact on underlying EBITDA versus the comparable prior year period. The negative impact of a weaker Russian rouble on translation of our domestically focused Uncoated Fine Paper business and a weaker Turkish

lira more than offset the benefits to our export orientated businesses of a weaker South African rand and a strong US dollar relative to the euro, seen in the second half of the year.

Depreciation and amortisation charges were marginally lower during the period, as currency effects and disposals more than offset the effects of acquisitions and the Group's capital investment programme.

Underlying operating profit of €1,318 million was up 28% on the prior year. After taking into consideration the impact of special items of €126 million (2017: €61 million), operating profit of €1,192 million was up 23% (2017: €968 million).

Cash generated from operations of €1,654 million (2017: €1,363 million), reflects the continued strong cash generating ability of the Group. Following the payment of a special dividend (€484 million) in May and the completion of acquisitions totalling €424 million during the year, net debt was up to €2,220 million (2017: €1,532 million) or 1.3 times (2017: 1.0 times) net debt to 12-month trailing underlying EBITDA.

Basic underlying earnings of 189.1 euro cents per share were up 27% compared to 2017. After taking the effect of special items into account, basic earnings of 170.1 euro cents per share were up 23% compared to 2017.

Our Boards have recommended payment of a final ordinary dividend of 54.55 euro cents per share, bringing the total ordinary dividend for the year to 76.0 euro cents per share, an increase of 23% on 2017.

Fibre Packaging

€ million	Year ended 31 December 2018	Restated Year ended 31 December 2017	Change %	Six months ended 31 December 2018	Restated Six months ended 31 December 2017	Change %
Segment revenue	**4,108**	3,735	10	**2,088**	1,885	11
Underlying EBITDA	**1,086**	833	30	**551**	431	28
Underlying EBITDA margin	**26.4%**	22.3%		**26.4%**	22.9%	
Underlying operating profit	**841**	596	41	**425**	309	38
Special items	**(73)**	3		**(18)**	(2)	
Capital expenditure cash payments	**469**	398		**244**	229	
Operating segment net assets	**3,804**	3,246				
ROCE	**26.8%**	20.6%				

Underlying EBITDA was up 30% on the prior year to €1,086 million, with higher average selling prices, improved product mix and volume growth more than offsetting higher costs and negative currency effects. A positive contribution from acquisitions was partly offset by disposal and one-off effects.

Good demand and limited supply supported a strong pricing environment in containerboard markets. Average benchmark European prices for unbleached kraftliner were up 16% year-on-year, while benchmark recycled containerboard prices were up around 12% on the prior year. Prices for white top kraftliner and semi-chemical fluting, which typically show less volatility through the business cycle, were up in the range of 8% to 10% year-on-year. A slowdown in the rate of demand growth in the fourth quarter exacerbated by customer de-stocking, and pressure from imports into Europe led to price reductions in containerboard grades going into the new year.

Corrugated Packaging achieved good volume growth in the second half of the year in its key markets, following stable volumes in the first half on a strong comparable prior year period. The business successfully implemented price increases required to compensate for significantly higher paper input costs and negative currency effects; continued to benefit from growing e-commerce activity; and remained focused on continuous improvements to reduce conversion costs and further enhance its product offering, quality and service to customers. Pleasingly, our corrugated business won seven 2019 WorldStar[1] awards, more than any other company worldwide, building on its success in winning five such awards the prior year, and consolidating our position as a truly innovative force in the packaging industry.

We saw good demand across our range of kraft paper grades during the year, leading to a strong pricing environment. Kraft paper prices were up around 10% on average year-on-year. The drive to replace plastic carrier bags with paper-based alternatives supported strong demand across our range of speciality kraft papers, while good growth in selected emerging markets drove demand for sack kraft paper. Kraft paper prices in early 2019 are up between 7% and 8% on average compared to average 2018 price levels following price increases through the second half of 2018 and early 2019.

Industrial Bags sales volumes were up 3% on a like-for-like basis, due to strong growth in Iberia, emerging Europe, Middle East and West Africa, partly offset by weaker US volumes. Price increases were achieved in the early part of the year to compensate for higher paper input costs. However, margins came under pressure during the second half as higher paper prices, following mid-year increases, could not be fully passed on to customers due to contractual agreements. Strong cost management and the benefit of rationalisation activities resulted in significant fixed cost savings during the period. Annual contracts for 2019 have mostly been finalised, with price increases implemented that largely reflect the full impact on the cost base of the recent sack kraft paper price increases.

With the exception of paper for recycling, costs were above the prior year period, mitigated by our ongoing cost reduction programme. We saw higher wood, chemical and energy costs and inflationary increases on cash fixed costs. This was partly offset by higher average green energy prices in Poland.

We continue to optimise our production footprint and leverage our cost advantaged asset base. In 2018, we announced the closure of two industrial bag plants in Europe and another in Kentucky (US). We are able to continue to serve customers from our existing plant network, benefiting from economies of scale. We stopped production of in-line silicone coated products at Štětí due to

technical challenges and process complexity. The restructuring initiatives undertaken in the year at the Štětí and US industrial bag operations led to related special item charges of €73 million.

We completed the sale of a flat sack kraft paper mill in Pine Bluff, Arkansas as well as the acquisition of Powerflute, a producer of high-quality semi-chemical fluting, and two industrial bag plants in Egypt, broadening our product portfolio and geographic reach.

A planned maintenance shut at our Syktyvkar mill and an extended shut at Richards Bay were completed during the first half of the year. Planned maintenance shuts at Świecie (Poland) and the majority of our kraft paper mills, including an extended shut at Štětí as we commissioned the extensive plant modernisation project, were completed in the second half. Maintenance shuts are planned at our Syktyvkar, Powerflute and Richards Bay mills for the first half of 2019, while the majority of the remaining shuts are scheduled for the second half of the year.

Note:
[1]The WorldStar awards are open to packaging organisations from across the world, the competition acknowledges the best ideas, innovations and technologies in the market. Judges look for sustainable solutions to packaging challenges, demonstration of enhanced user convenience and reduced material waste. 2019 winners were announced in December 2018.

Consumer Packaging

€ million	Year ended 31 December 2018	Restated Year ended 31 December 2017	Change %	Six months ended 31 December 2018	Restated Six months ended 31 December 2017	Change %
Segment revenue	**1,611**	1,646	(2)	**789**	807	(2)
Underlying EBITDA	**194**	222	(13)	**91**	113	(19)
Underlying EBITDA margin	**12.0%**	13.5%		**11.5%**	14.0%	
Underlying operating profit	**115**	134	(14)	**52**	70	(26)
Special items	**(32)**	(49)		**(5)**	(49)	
Capital expenditure cash payments	**79**	91		**41**	55	
Operating segment net assets	**1,311**	1,326				
ROCE	**9.0%**	10.4%				

Underlying EBITDA of €194 million was down 13% on the prior year.

The business generated good growth in selected value-added segments in consumer goods packaging and technical films, restructured the plant network and fixed cost base, and drove continuous improvement initiatives during the year. This saw the subsegment consumer goods packaging deliver an improved performance in what remains a challenging trading environment. Overall Consumer Packaging's performance was held back by declining volumes in personal care components, one-off costs, rising paper input costs in release liner and negative currency effects.

In continuing to drive performance by aligning capacity to current market requirements, we restructured our UK operations, including the closure of our plant in Scunthorpe in the second half of the year. A related net special item charge of €29 million was recorded.

As a producer of both paper and plastic packaging, we believe we are uniquely positioned to leverage our customer relationships and paper, bag and barriers know-how to develop sustainable packaging solutions for our customers. Flexible plastic packaging, when manufactured, used and disposed of appropriately, delivers many benefits from resource efficiency (by reducing material usage and being less transport intense) to reducing food waste by enabling correct sized portions and extending shelf-life.

Mondi joined the Ellen MacArthur Foundation's (EMF) New Plastics Economy Initiative in 2017, and in 2018, we pledged to increase investment in research and development, and drive deeper collaboration throughout our supply chain to move away from non-renewable and non-recyclable plastic. We are one of the first signatories of The New Plastics Economy Global Commitment – committing to 100% of plastic based packaging being reusable, recyclable or compostable, and 25% being from recycled content (where it does not compromise functionality or food health requirements) by 2025. Efforts deployed in partnering with customers and other stakeholders along the value chain to innovate and develop fully recyclable packaging solutions and new solutions with increased recycled plastic content are well underway, with BarrierPack, our award winning recyclable pouch one such example. Commercialisation and further innovation will be a focus in 2019 and beyond.

Uncoated Fine Paper

€ million	Year ended 31 December 2018	Restated Year ended 31 December 2017	Change %	Six months ended 31 December 2018	Restated Six months ended 31 December 2017	Change %
Segment revenue	**1,877**	1,832	2	**936**	885	6
Underlying EBITDA	**516**	464	11	**286**	224	28
Underlying EBITDA margin	**27.5%**	25.3%		**30.6%**	25.3%	
Underlying operating profit	**395**	337	17	**227**	163	39
Special items	**(21)**	(15)		**(3)**	(15)	
Capital expenditure cash payments	**161**	122		**77**	73	
Operating segment net assets	**1,494**	1,515				
ROCE	**31.9%**	26.6%				

Underlying EBITDA was up 11% to €516 million. Higher average selling prices more than offset higher costs and negative currency effects.

We estimate European uncoated fine paper demand declined around 4% on a strong prior year period, bringing the average rate of decline over the past two years to 2%, at the higher end of our expected long-term trend of 1% to 2% decline per annum. Demand in Russia and South Africa was flat, in line with our long-term estimate.

Uncoated fine paper sales volumes were 1% higher than the prior year, despite the ongoing structural decline in mature markets, as we continue to benefit from our emerging market exposure and superior cost positioning. Average benchmark European uncoated fine paper selling prices were 7% higher than the prior year and 4% up in the second half of the year compared to the first half, following the implementation of price increases over the course of the year. Uncoated fine paper selling prices in Russia and South Africa were also increased during the year, offsetting domestic cost inflation.

We saw an increase in input costs, most notably for wood, energy and chemicals while fixed costs were higher due to domestic inflationary cost pressures and the impact of maintenance shuts, partly compensated by our ongoing cost reduction initiatives.

Due to the declining margins on unintegrated paper production following the rapid rise in hardwood pulp input costs, we ceased production at one of our uncoated fine paper machines at Merebank (South Africa) during the second half of the year, which was operating at 70,000 tonnes per annum production capacity, leading to a special item charge of €21 million.

To enhance the security of wood supply to our Richards Bay mill and improve cost competitiveness, we acquired around 11,000 hectares of well-located forest plantations in KwaZulu-Natal (South Africa) in May 2018 for ZAR408 million (€27 million) on a debt and cash-free basis.

The forestry assets' fair value is dependent on a variety of external factors over which we have limited control, the most significant being the export price of timber, the exchange rate and domestic input costs. Increases in export prices and a weaker rand at the end of the year resulted in a fair value gain of €43 million, in line with the prior year, but with the second half gain €17 million above that reflected in the first half of 2018.

A planned maintenance shut at our Syktyvkar mill and an extended shut at Richards Bay were completed during the first half of the year. In the second half, we completed planned shuts at Ružomberok and Neusiedler (Austria). In 2019, our Syktyvkar and Richards Bay shuts are planned for the first half of the year while a project related shut at our Ružomberok mill and the remaining shuts are scheduled for the second half.

Special items

The net special item charge of €126 million before tax (2017: €61 million) comprised the following by business unit:

Fibre Packaging
- Discontinuation of in-line silicone coating production at Štětí. Restructuring costs of €4 million and related impairment of assets of €51 million were recognised.
- Restructuring of industrial bags operations in the US. Restructuring costs of €9 million and related impairment of assets of €9 million were recognised.

Consumer Packaging
- Restructuring of operations, primarily in the UK. Restructuring costs of €13 million and impairment of assets of €16 million were recognised.
- Following the discontinuation of in-line silicone coating production at Štětí, restructuring costs of €3 million and related impairment of assets of €2 million were recognised. Reversal of impairment of assets of €2 million was recognised.

Uncoated Fine Paper
- Closure of an uncoated fine paper machine at Merebank. Restructuring costs of €16 million and related impairment of assets of €5 million were recognised.

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

Tax

Our underlying tax charge for the year was €273 million (2017: €181 million) reflecting tax on higher profits combined with a higher effective tax rate at 22% (2017: 19%), as a consequence of the full utilisation of tax incentives in Poland in 2017. Tax relief on special items amounted to €34 million (2017: €8 million).

Assuming a similar geographic profit mix and stable statutory tax rates, we would expect our effective tax rate in 2019 to be around 23%.

Cash flow

Cash generated from operations of €1,654 million (2017: €1,363 million), reflects the continued strong cash generating capability of the Group.

Working capital as a percentage of revenue was 13.0%, in line with the prior year (12.7%) and within our expected range of 12% to 14%. The net cash outflow from movements in working capital during the year was €117 million (2017: €122 million).

In 2018, capital expenditure amounted to €709 million (2017: €611 million), in line with our expectations as outflows related to our major capital expenditure projects increased. We completed the acquisition of Powerflute, two industrial bag plants in Egypt and forest plantations in South Africa for a total consideration, on a debt and cash-free basis, of €424 million.

Further significant outflows from financing activities included the payment of ordinary dividends of €309 million (2017: €273 million) and the payment of a special dividend (€484 million) (2017: zero). Interest paid of €73 million (2017: €97 million) was lower than in the prior year period primarily due to the payment of the final coupon of the 5.75% 2017 €500 million Eurobond on maturity in the prior year. Tax paid of €248 million (2017: €151 million) was higher than the prior year due to improved profitability.

Capital investments

Investing in our cost advantaged asset base to maintain and enhance our competitiveness is of particular importance for our pulp and paper operations where products are generally more standardised and relative cost competitiveness is a key value driver. We focus on driving organic growth, strengthening our cost competitiveness, enhancing our product offering, quality and service to customers and improving our environmental footprint.

Our disciplined approach to investigating, approving and executing capital projects is one of our key strengths and plays an important role in successfully delivering returns through the cycle. Over the past three years our major capital projects have contributed €95 million of incremental operating profit, including €20 million in 2018. We expect to generate a further €50 million in 2019.

In the fourth quarter of 2018, we successfully commissioned the €335 million modernisation of the Štětí mill to replace the recovery boiler, rebuild the fibre lines and debottleneck the existing packaging paper machines. The project is expected to result in additional annual production of 90,000 tonnes of softwood market pulp and 55,000 tonnes of packaging paper.

We have a focused capital expenditure project pipeline securing our future growth. Key developments include:

- We obtained the final necessary permitting to proceed with the €340 million investment in a new 300,000 tonne per annum kraft top white machine at Ružomberok, with start-up expected towards the end of 2020. The related pulp mill upgrade at the same site is progressing according to plan with start-up expected in late 2019.
- Responding to continued good demand across our range of speciality kraft papers in Europe, supported by the drive to replace plastic carrier bags with paper-based alternatives, we have approved a €67 million capital investment project to convert a containerboard machine at Štětí to be fully dedicated to the production of speciality kraft paper with a mix of recycled and virgin fibre content for shopping bags applications. This will also allow us to optimise productivity and efficiency at Świecie, where this grade is currently produced. The project will result in an additional 75,000 tonnes per annum of speciality kraft paper capacity while reducing our containerboard capacity by around 30,000 tonnes per annum. Start-up is expected by the end of 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, including various upgrades of the mill infrastructure, fibre lines and pulp dryer, and a new evaporation plant.
- We are investigating alternatives for the modernisation of our Richards Bay facility, including the modernisation of the mill's energy and chemical plants.
- We continue to invest in our Fibre Packaging and Consumer Packaging converting plants with competitive advantages to grow with our customers, enhance our product and service offering and reduce conversion costs.

Our recently completed and planned major capital projects in the Czech Republic, Slovakia and Russia are expected to increase our current saleable pulp and paper production by around 10% when in full operation.

Given the approved project pipeline and in the absence of any other major investment, our capital expenditure is expected to be in the range of €700-800 million per annum, on average, for 2019 and 2020.

Treasury and borrowings

Net debt at 31 December 2018 was €2,220 million, up from €1,532 million at 31 December 2017, representing a reduction in net debt of €220 million before the payment of a special dividend (€484 million) and acquisitions totalling €424 million.

In April 2018, we issued a 1.625% €600 million Eurobond with an 8-year tenor under our Euro Medium Term Note Programme, thereby extending the Group's maturity profile and maintaining our strong liquidity.

The Group's liquidity position remains robust. At the end of the year, €616 million of our €2.5 billion committed debt facilities were undrawn and the weighted average maturity of committed debt facilities was 4.6 years. Gearing at the same date was 37% and our net debt to 12-month trailing underlying EBITDA ratio was 1.3 times, well within our key financial covenant requirement of 3.5 times.

During the year, Standard & Poor's upgraded the Group's credit rating to BBB+ (stable outlook) from BBB, while Moody's Investors Service maintained their Baa1 (stable outlook) credit rating.

Net finance costs of €88 million were €3 million higher than the previous year as the benefit from a lower effective interest rate (4.2% in 2018 compared to 4.8% in 2017) was offset by higher average net debt of €1,979 million (2017: €1,572 million).

Simplification of corporate structure

On 19 November 2018, the Boards announced a proposal to simplify the existing Mondi Group structure from the current dual listed company structure into a single holding company structure under Mondi plc.

If approved, the simplification will be implemented by way of a South African scheme of arrangement whereby Mondi plc will acquire Mondi Limited. Mondi Limited shareholders will receive one new Mondi plc share in exchange for each Mondi Limited share held. Following the simplification, each Mondi plc shareholder will have the same voting and capital interests in the Group as each Mondi Limited and Mondi plc shareholder currently has.

The proposed simplification will enhance strategic flexibility, increase transparency and remove the complexity associated with the current structure. It will also simplify cash and dividend flows and facilitate continued investment in the South African operations.

Mondi plc will continue to have a premium listing on the London Stock Exchange and will have an inward secondary listing on the Johannesburg Stock Exchange quoted in rand. Mondi plc shares will continue to be included in the FTSE 100 index. Today Mondi Limited shares are not eligible for inclusion in the FTSE 100 index. Following the issue of Mondi plc shares in exchange for Mondi Limited shares as a result of the simplification, it is expected that Mondi plc's weighting in the FTSE 100 index will increase. Mondi plc shares are expected to continue to be eligible for inclusion in the key JSE indices.

The simplification is subject to certain conditions, including, among other things, the approval of the shareholders of Mondi Limited and Mondi plc. Good progress has been made to date, with a shareholder circular, scheme document and prospectus expected to be made available to shareholders at the end of the first quarter, in accordance with the Annual General Meetings timetable. Implementation of the simplification is expected in the second half of 2019.

Dividend

The boards of Mondi Limited and Mondi plc aim to offer shareholders long-term ordinary dividend growth within a targeted dividend cover range of two to three times over the business cycle. Given our strong financial position and the Boards' stated objective to increase distributions to shareholders through the ordinary dividend, the Boards have recommended an increase in the final ordinary dividend to 54.55 euro cents per share (2017: 42.90 euro cents per share). The final ordinary dividend, together with the interim ordinary dividend of 21.45 euro cents per share, paid on 14 September 2018, amount to a total ordinary dividend for the year of 76.0 euro cents per share, an increase of 23% on the 2017 total ordinary dividend of 62.0 euro cents per share.

The final ordinary dividend is subject to the approval of the shareholders of Mondi Limited and Mondi plc at the respective Annual General Meetings scheduled for 9 May 2019 and if approved is payable on 16 May 2019 to shareholders on the register on 12 April 2019.

Growing Responsibly

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. Communicating openly and working together helps us to better understand and address risks and opportunities so that we can continue to generate value for our stakeholders long into the future.

We remain committed to achieving a culture where everybody works safely and returns home safely every day. We were deeply saddened by the fatality of a contractor at Syktyvkar in April 2018 during planned maintenance at the woodyard as well as five life-altering injuries across the business. Unfortunately, we suffered another fatality in January 2019 when a contractor lost his life during drilling works at the construction site of our new paper machine in Ružomberok. Thorough investigations are conducted after all incidents and action plans implemented to prevent repeat incidents. With zero harm our goal, we continue to work tirelessly to eliminate fatal and life-altering injuries by focusing on the top risks at all operations enabling us to better anticipate and manage our highest risk activities. We continue to focus on the 24-hour safety mindset approach introduced in 2017. The concept is designed to tap into people's awareness on an emotional, unconscious level by applying safety to all aspects of their lives, not just at work. In 2018, we had 262 recordable cases, which equates to a Total Recordable Case Rate of 0.68. This is in line with the previous year level (adjusted for acquisitions) and 11% lower compared to our 2015 baseline.

As one of the Group's strategic value drivers, 'growing responsibly' is an integral part of our future success. Our Growing Responsibly model remains the framework through which we shape our long-term response to sustainability, and enables us to demonstrate, monitor and improve our sustainability performance across the value chain. The model covers 10 Action Areas that reflect the aspects of sustainability that are most relevant for Mondi and our stakeholders. Within these Action Areas, we have made 16 public commitments to be achieved by 2020, along with a carbon emissions commitment that runs to 2030. In addition to driving our response to the sustainability issues that are most relevant to our business, our commitments demonstrate Mondi's positive contribution to achieving the UN Sustainable Development Goals (SDGs).

In 2018, we completed a new materiality assessment to understand the relative importance of our material issues to our stakeholders and to identify new and emerging issues. The results will inform our commitments beyond 2020.

A number of our major capital projects currently in progress and recently completed are expected to contribute to our Growing Responsibly commitments, particularly relating to greenhouse gas emissions and waste reduction. We are pleased our total specific CO2e emissions (in tonnes per tonne of saleable production) have declined to 0.72, a 14.5% reduction against the 2014 baseline, as we continue to make progress in making our business less carbon intensive. The contribution of biomass-based renewable energy to the total fuel consumption of our mills has increased from 59% in 2014 to 64% in 2018.

Our collaborative relationships and partnerships are key as we look to scale up our contribution beyond our own boundaries. It is only by working together that we will achieve impact, innovation and scale necessary to bring about change. We continue working closely with WWF in the fifth year of our global partnership focusing on water stewardship in South Africa, protection of intact forest landscapes in Russia, sustainable forest management and biodiversity as well as setting long term reduction targets for our

greenhouse gas emissions. In 2018, we joined WWF's Climate Savers, a leadership programme for businesses, as part of our commitment to continue to work on further reducing our greenhouse gas emissions using the science-based target setting methodology.

We engage with our people to ensure their commitment to a business which they feel is responsible, empowering and able to offer a range of development opportunities. Creating an environment that fosters and respects diversity and inclusion is vital to our success, and improves our competitive advantage in becoming an employer of choice.

As a Group, we aim to be an 'employer of choice' by attracting talent, creating a stronger culture of employee recognition and retaining our high-performing workforce. We have a number of programmes currently in place and are defining further initiatives to ensure we have the right talent and succession plans to deliver on our long-term strategic targets. In 2018, we focused in particular, on creating a culture that encourages diversity and inclusion, which will enhance our competitive advantage going forward.

Outlook

Looking ahead, while there are macro-economic uncertainties, we remain confident in the structural growth drivers in the packaging sectors in which we operate. Pricing is mixed going into 2019, with recent price reductions in containerboard grades and market pulp and stronger pricing in our kraft paper markets. During 2019, we are planning longer maintenance and project related shuts, while looking forward to the incremental contribution from recently completed major capital projects and acquisitions.

Mondi is uniquely positioned to develop sustainable packaging solutions. With our robust business model, strong balance sheet, focus on leveraging key industry trends of sustainability, e-commerce and enhancing brand value, and culture of continuously driving performance, we continue to look to the future with confidence.

Principal risks and uncertainties

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

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

Strategic risks

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

While there have been no significant changes in our strategic risk exposures during the year, we continue to monitor recent capacity announcements and demand developments, the developments in the process as the UK seeks to exit the European Union, the stability of the Eurozone and the increasing prevalence of trade tariffs and economic sanctions.

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

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

Our strategic focus on low cost production and innovation aims 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 existing asset base this secures our competitiveness. We monitor industry developments in terms of changes in capacity, utilisation levels both short and long term, as well as market trends and trade flows in our own product markets. This helps us to establish target capacity utilisation levels in the short term and to evaluate capital investment projects in the long term. We maintain strong relationships with machine suppliers to identify current market developments and technologies and we routinely review our asset portfolio and capacity utilisation levels to identify underperforming assets and take decisive action to drive performance.

Product substitution
Global socio-economic and demographic trends and changing consumption patterns, including increased public awareness of sustainability and increasing customer purchasing power, are driving changes in customers' needs and attitudes, and could affect the demand for Mondi products. The increased public and stakeholder focus on the impact of plastic-based packaging on ocean and land ecosystems has led to heightened environmental considerations, changes in legislation and a shift in consumer attitudes. 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, substitution of rigid plastic by flexible packaging, increased demand for high-quality printed material, certified and responsibly produced goods, and specific material qualities such as recyclable/biodegradable.

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. We regularly monitor trends, new developments and innovations in our product markets. We conduct customer surveys to get a better insight into our customers' needs. In our Consumer Packaging business we have established a sustainability task force to monitor the market and legislative developments around sustainability of our plastic based packaging. We are a member of the Ellen MacArthur Foundation's New Plastics Economy Initiative, where we collaborate with stakeholders across the plastic value chain. Our research and development pipeline ensures that our products remain cutting-edge with added focus on sustainability properties (e.g. recyclable, compostable or biodegradable products, sourced responsibly). Our broad range of converting products provides some protection from the effects of substitution between paper and plastic-based packaging products.

Fluctuations and variability in selling prices or gross margins
The Group operates in cyclical markets and fluctuations in our key packaging and paper prices or converting margins can have material profit and cash flow implications. Our selling prices are determined by changes in capacity and demand for our products, which are, in turn, influenced by macroeconomic conditions, competitive behaviour, consumer spending preferences, and inventory levels maintained by our customers. Changes in prices differ between products and geographic regions and the timing and magnitude of such changes have varied significantly over time. Gross margins in our downstream converting operations are impacted by fluctuations in key input costs, which cannot be passed on to customers in all cases.

Our strategic focus is on higher growth markets and products where we enjoy a competitive advantage through innovation, proximity or production cost. We continue to invest in our high-quality, cost advantaged asset base to ensure we maintain our competitive cost position. We continue to further develop businesses in higher growth markets with better long term fundamentals. 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. We regularly review and monitor the current market fundamentals, market demand trends and market prices to evaluate price expectations in the short term but also to understand the long term trends. We monitor our order intake to identify changing trends and developments in our own product markets.

Country risk
The Group has operations across more than 30 countries with differing political, economic and legal systems. In some countries, such systems are less predictable than in countries with more developed institutional structures. Political or economic upheaval, inflation, changes in laws, protectionism, nationalisation, or expropriation of assets may have a material effect on our operations in those countries. The current macroeconomic environment is impacted by the uncertainties from effects of increased protectionism, use of trade tariffs, economic sanctions, the stability of the Eurozone and the uncertainty over the outcome of the UK's decision to exit from the European Union.

In South Africa the Group is subject to land claims and could face an adverse land claim ruling. In February 2018 a motion was passed in the National Assembly in South Africa for Section 25 of the South African Constitution to be reviewed and potentially amended to allow government to expropriate land without compensation. A process may therefore start to have the South African Constitution amended accordingly or there could be other changes in legislation governing land ownership in South Africa.

Our geographic diversity and decentralised management structure, utilising local resources in countries in which we operate, reduces our exposure to any specific jurisdiction. To mitigate the effect of country specific risks we structure our capital and debt in each country based on assessed risks and exposures. We regularly review our sales strategies to mitigate export risk in countries with less predictable environments and, where possible, we obtain credit insurance. 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.

During the year further analysis has been undertaken to better understand the possible consequences of the UK's exit from the European Union. The Group's exposure to the UK is limited. The Group operates two Consumer Packaging plants in the UK and exports containerboard and uncoated fine paper to the UK. Revenues from customers in the UK represent around 3% of the Group's total. The impact on trade flows between the UK and the European Union continues to be monitored closely. Given our current knowledge of the Brexit process and the limited direct trading exposure of the Group to the UK, we do not expect Brexit to materially impact our ability to continue normal business operations. In South Africa the Group has settled a number of land claims structured as sale and leaseback arrangements which provide a framework for settling future land claims and continues to work with other stakeholders to engage with government on land matters. We actively monitor all countries and environments in which we operate. Regular formal and informal interaction with government officials, local communities, and business partners assists us to remain abreast of changes and new developments.

Financial risks

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

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

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

We operate a central treasury function under a board-approved treasury policy. We target investment grade credit ratings and we have access to diverse sources of funding with varying maturities. The majority of our external debt is issued centrally. We use a blend of floating and fixed rate debt contracts to mitigate the interest rate risk. We report regularly to the Boards on our treasury management policies. Our central treasury function monitors compliance with treasury policies at operating level and we engage external advisors to review the treasury function at regular intervals.

Currency risk
As a multinational Group, operating globally, we are 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; whilst the fluctuations in the US dollar, Russian rouble, UK pound sterling and Turkish lira can also have a material impact as our revenues in these currencies are greater than operating costs incurred. Additionally, appreciation of the euro compared with the currencies of the other key paper producing regions or paper pricing currencies, notably the US dollar, reduces the competitiveness of Mondi products in Europe compared with imports from such key paper-producing regions which can result in lower revenues and earnings.

Balance sheet exposures and material forecasted capital expenditures are hedged upon identification. We do not hedge our exposure to projected future sales or operating costs and our businesses respond to adverse currency fluctuations by increasing selling prices or increasing exports where competitiveness improves as operating currencies weaken. Entities also borrow in their local currencies to minimise translation risk. We continuously monitor exchange rate movements and sensitivities, and evaluate the impact of exchange variances on our results. We regularly review our prices and monitor the import and export trade flows.

Tax risk
We operate in a number of countries - all with different tax systems. 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. We make significant intragroup charges, the basis for which is subject to review during tax audits.

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. Arm’s length principles are applied in the pricing of all intragroup transactions in accordance with Organisation for Economic Cooperation and Development guidelines. The Boards have approved the Group tax strategy, and perform a formal review of the Group’s tax affairs at least annually. We obtain external advisory opinions for all major tax projects, such as acquisitions and restructuring activities, and make use of external benchmarks where possible. We regularly engage with external advisors to stay up-to-date with changes in tax legislation and tax practice.

Operational risks

A low residual risk tolerance is demonstrated through our focus on operational excellence, investment in our people and commitment to the responsible use of resources.

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

Cost and availability of raw materials
Access to sustainable sources of raw materials is essential to our operations. The raw materials used by the Group include significant amounts of wood, pulp, paper for recycling, plastic resins and chemicals. The prices for many of these raw materials generally fluctuate in correlation with global commodity cycles. Wood prices and availability may be adversely affected by reduced quantities of available wood supply that meet our standards for credibly certified or controlled wood, the impact of climate change through increased frequency of severe weather events, changes in rainfall or increased instances of pest and disease outbreaks and increasing use of wood as a biofuel.

We have access to our own sources of wood in Russia and South Africa and we purchase wood, paper for recycling, pulp, and polymers to meet our needs in the balance of our operations. Where we source our raw materials in areas of weaker governance, we may face potential social and environmental risks related to waste, pollution, poor safety and labour practices and human rights issues.

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. Sustainable management of our forestry operations is key in managing our overall social and environmental impact, helping to protect ecosystems, protect worker and community rights, and to develop resilient landscapes. 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. In Europe, we source our wood from diverse regions and forest types to mitigate the potential impacts of climate change on our wood supplies. We have developed an internal monitoring and risk assessment system, Responsible Procurement, to assess and evaluate the performance of our suppliers and their adherence to our Code of Conduct for Suppliers. Supplier performance is evaluated through questionnaires and audits.

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. In South Africa, we have tree improvement programmes in place, which aim to produce stronger, more robust hybrids that are better able to resist disturbances such as drought, pests and diseases.

Energy security and related input costs
Mondi is a significant consumer of electricity which is generated internally and purchased from external suppliers. Where we do not generate electricity from biomass and by-products of our production processes, we are dependent on external suppliers for raw materials such as gas, oil and coal. Fossil-based energy sources could pose a sustainability and regulatory risk to our energy security. Higher 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, operating globally and relying on global supply chains, we face potential physical and regulatory risks related to climate change.

We focus on improving the energy efficiency of our operations by investing in improvements to our energy profile and increased electricity self-sufficiency, including the use of renewable energy sources, 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, and to decrease carbon-intensive energy sources such as coal. Energy costs are closely monitored and benchmarked against external sources and 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 actively monitor the renewable energy market fundamentals and changes in legislation and maintain contact with local energy regulators. We have undertaken detailed compliance assessments regarding Industry Emissions and Energy Efficiency Directives to determine future investment requirements.

Technical integrity of our operating assets
We have five major mills which account for approximately 75% of our total pulp and paper production capacity, and a significant consumer packaging manufacturing facility in Germany. If operations at any of these key facilities are interrupted for any significant length of time, it could have a material adverse effect on our financial position or performance. 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 and environmental incidents.

Our capital investment programme supports the replacement of older equipment to improve both reliability and integrity, and our proactive repair and maintenance strategy is designed to improve production reliability and minimise breakdown risks. We conduct detailed risk assessments of our high-priority equipment and have specific processes and procedures in place for the ongoing management and maintenance of such equipment.

We continue to develop our asset management system to ensure best practices for maintenance procedures and we have a maintenance training programme for our employees. Benchmarking activities enable us to optimise our production throughout the organisation by learning from our best performing operations and to identify any emerging issues early.

We actively monitor all incidents and have a formal process which allows us to share lessons learned across our operations, identify emerging issues, conduct benchmarking, and evaluate the effectiveness of our risk reduction activities. We engage external experts to perform technical integrity assessments in our major sites. Our Fire Protection programme is supported by independent loss prevention audits and we take out property insurance cover for key risks.

Employee and contractor safety
We operate large facilities, often in remote locations. Accidents/incidents cause injury to our employees or contractors, property damage, lost production time, and/or harm to our reputation. Risks include fatalities, serious injuries, occupational diseases, and substance and drug abuse.

To ensure the safety of our employees and contractors, we apply safety management systems, including amongst others, risk assessments, safety procedures and controls. We have a goal of zero harm and aim to continuously advance our 24-hour safety mind-set and safety culture. We continue with the project to engineer out the most significant risks in our operations supported by robust controls and procedures for operating those assets and conducting related tasks. During 2018 we rolled out the revised Permit to Work methodology across the Group to improve safety performance. 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 (lag indicators) as well as achievement of lead indicators. We continually investigate and monitor incidents and major close calls and actively transfer learnings across our operations. Our Task Risk Management Methodology provides a practical approach to conducting pre-task risk assessments, and our focus is on better understanding the high risk tasks in our operations. We apply externally accredited safety management systems and conduct regular audits of our operations to ensure our facilities remain fit-for-purpose.

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

Our culture and values play a key role in empowering and inspiring our people. These are highlighted by various Inspire Programmes and collaboration initiatives throughout our operations. We have a zero tolerance policy towards discrimination and we provide equal opportunities for all employees. To attract skills and talent we are investing in employer branding; we are engaged in fair and transparent recruitment practices; and have reviewed and updated our diversity and inclusion, 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 have implemented measures to monitor and manage succession planning, staff turnover, internal placements and training. We perform 360 degree feedback at a management level and regularly conduct performance and development reviews at a local level. We 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.

Environmental impact
We operate in a sector where the environmental impact of our business can be high and we need to manage the associated risks. 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 negative impacts on constrained resources and loss of biodiversity and ecosystems from 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 could 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 our operations and forests.

We ensure that we are complying with all applicable environmental, health and safety requirements where we operate. Our own policies and procedures, at or above local policy requirements, are embedded in all our operations and are supported through the use of externally accredited environmental management systems. We focus on a clean production philosophy to address the impact from emissions, discharge, and waste. We manage our water resources responsibly to address risks related to water scarcity in some of our operations, and to ensure equitable use of water resources among local stakeholders wherever we operate. 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 customers and supply chain stakeholders to better understand the concerns related to the environmental impact of plastics in the environment, and to work together on scaleable, meaningful solutions to address this. Our product design and innovation focuses on reducing the environmental impact of our products throughout their life cycle. We monitor our environmental performance indicators and report our progress against our 2020 commitments, with our GHG emissions independently assured to reasonable assurance level. We monitor regulatory developments to ensure compliance with existing operating permits and perform SEAT (Socio-economic Assessment Toolbox) assessments and water impact assessments locally to better understand our local environmental footprint and stakeholder needs.

Compliance risks

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

Reputational risk
Non-compliance with the legal and governance requirements and globally established responsible business conduct in any of the jurisdictions in which we operate and within our supply chain could expose us to significant risk if not actively managed. Failure to successfully manage relationships with our stakeholders could disrupt our operations and adversely impact the Group's reputation. These requirements include laws relating to the environment, exports, price controls, taxation, competition compliance, data protection, 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 the UK Modern Slavery Act 2015, has further highlighted the need to identify and address potential risks of child labour, forced or bonded labour and human trafficking in our supply chain.

We operate a comprehensive training and compliance programme, supported by self-certification and reporting, with personal sanction for failure to comply with Group policies. We engage with our stakeholders through formal and informal processes such as our SEAT assessment and Community Engagement Plans. Our legal and governance compliance is supported by a centralised legal compliance team and is subject to regular internal audit review. We have a confidential reporting hotline, Speakout, enabling employees, customers, suppliers, managers and other stakeholders to raise concerns about misconduct.

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

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

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 2018, Mondi had €616 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 4.6 years.

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

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

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Webcast and conference call dial-in details

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

An online webcast will be available via www.mondigroup.com/FYResults18.

The conference call dial-in numbers are:

South Africa	021 300 8072
UK	0800 376 7922
Other	+44 20 7192 8000
Conference ID	5696090

The presentation will be available to download from the above website an hour before the webcast commences. Questions can be submitted via the dial-in conference call or via the webcast.

Should you have any issues on the day with accessing the dial-in conference call, please call +44 20 7192 8000.

Should you have any issues on the day with accessing the webcast, please e-mail group.communication@mondigroup.com and you will be contacted immediately.

A video recording of the presentation will be available on Mondi's website during the afternoon of 28 February 2019.

Directors’ responsibility statement

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

The responsibility statement has been prepared in connection with the Group’s Integrated report and financial statements 2018, extracts of which are included within this announcement.

The directors confirm that to the best of their knowledge:

- the condensed combined and consolidated financial statements have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS) and are derived from the audited combined and consolidated financial statements of the Group, prepared in accordance with IFRS (they do not contain sufficient information to comply with IFRS);
- the Group’s combined and consolidated financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Strategic report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties they face;
- the Integrated report and financial statements 2018, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group’s performance, business model and strategy;
- there have been no significant individual related party transactions during the year; and
- there have been no significant changes in the Group’s related party relationships from that reported in the half-yearly results for the six months ended 30 June 2018.

The Group’s condensed combined and consolidated financial statements, and related notes, including this responsibility statement, were approved by the Boards and authorised for issue on 27 February 2019 and were signed on their behalf by:

Peter Oswald
Director

Andrew King
Director

Audited financial information

The condensed combined and consolidated financial statements and notes 1 to 19 for the year ended 31 December 2018 are derived from the Group annual financial statements which have been audited by the Group’s auditors, PricewaterhouseCoopers LLP and PricewaterhouseCoopers Inc. Their unmodified audit reports are available for inspection at the Group’s registered offices.

Condensed combined and consolidated income statement

for the year ended 31 December 2018

€ million	Notes	2018 Underlying	2018 Special items (Note 4)	2018 Total	Restated[1] 2017 Underlying	Restated[1] 2017 Special items (Note 4)	Restated[1] 2017 Total
Group revenue	3	**7,481**	**—**	**7,481**	**7,096**	**—**	**7,096**
Materials, energy and consumables used		(3,526)	—	(3,526)	(3,452)	—	(3,452)
Variable selling expenses		(534)	—	(534)	(525)	—	(525)
Gross margin		3,421	—	3,421	3,119	—	3,119
Maintenance and other indirect expenses		(346)	—	(346)	(319)	—	(319)
Personnel costs		(1,039)	(15)	(1,054)	(1,053)	(9)	(1,062)
Other net operating expenses		(272)	(30)	(302)	(265)	(14)	(279)
EBITDA		**1,764**	**(45)**	**1,719**	**1,482**	**(23)**	**1,459**
Depreciation, amortisation and impairments		(446)	(81)	(527)	(453)	(38)	(491)
Operating profit	3	**1,318**	**(126)**	**1,192**	**1,029**	**(61)**	**968**
Net profit from equity accounted investees		1	—	1	1	—	1
Total profit from operations and equity accounted investees		1,319	(126)	1,193	1,030	(61)	969
Net finance costs	6	(88)	—	(88)	(85)	—	(85)
Profit before tax		1,231	(126)	1,105	945	(61)	884
Tax (charge)/credit	7	(273)	34	(239)	(181)	8	(173)
Profit for the year		**958**	**(92)**	**866**	**764**	**(53)**	**711**
Attributable to:							
Non-controlling interests		**42**		**42**	**43**		**43**
Shareholders		**916**		**824**	**721**		**668**
Earnings per share (EPS) attributable to shareholders **(euro cents)**							
Basic EPS	8			**170.1**			**137.9**
Diluted EPS	8			**170.0**			**137.8**
Basic underlying EPS	8			**189.1**			**148.9**
Diluted underlying EPS	8			**189.0**			**148.8**
Basic headline EPS	8			**184.8**			**145.4**
Diluted headline EPS	8			**184.7**			**145.3**

Note:

1 The audited annual financial statements for the year ended 31 December 2017 were restated due to the adoption of IFRS 16, 'Leases', which has been disclosed in notes 2a and 2b of these condensed combined and consolidated financial statements

Condensed combined and consolidated statement of comprehensive income

for the year ended 31 December 2018

€ million	2018 Before tax amount	2018 Tax charge	2018 Net of tax amount	Restated 2017 Before tax amount	Restated 2017 Tax charge	Restated 2017 Net of tax amount
Profit for the year			**866**			**711**
Items that may subsequently be reclassified to the condensed combined and consolidated income statement						
Fair value gains arising from cash flow hedges	1	—	1	—	—	—
Exchange differences on translation of foreign operations	(219)	—	(219)	(71)	—	(71)
Share of other comprehensive expense of equity accounted investees	—	—	—	(2)	—	(2)
Items that will not subsequently be reclassified to the condensed combined and consolidated income statement						
Remeasurements of retirement benefits plans	(12)	(1)	(13)	9	(1)	8
Other comprehensive expense for the year	**(230)**	**(1)**	**(231)**	**(64)**	**(1)**	**(65)**
Other comprehensive expense attributable to:						
Non-controlling interests	(12)	—	**(12)**	(2)	—	**(2)**
Shareholders	(218)	(1)	**(219)**	(62)	(1)	**(63)**
Total comprehensive income attributable to:						
Non-controlling interests			**30**			**41**
Shareholders			**605**			**605**
Total comprehensive income for the year			**635**			**646**

Condensed combined and consolidated statement of financial position

as at 31 December 2018

€ million	Notes	2018	Restated 2017	Restated At 1 January 2017
Property, plant and equipment		4,340	4,128	3,961
Goodwill		942	698	681
Intangible assets		91	111	120
Forestry assets	10	340	325	316
Other non-current assets		85	59	62
Total non-current assets		**5,798**	**5,321**	**5,140**
Inventories		968	867	850
Trade and other receivables		1,190	1,106	1,049
Cash and cash equivalents	14b	52	38	404
Other current assets		34	44	41
Total current assets		**2,244**	**2,055**	**2,344**
Total assets		**8,042**	**7,376**	**7,484**
Short-term borrowings	11	(268)	(291)	(673)
Trade and other payables		(1,186)	(1,074)	(1,100)
Other current liabilities		(214)	(184)	(167)
Total current liabilities		**(1,668)**	**(1,549)**	**(1,940)**
Medium and long-term borrowings	11	(2,002)	(1,280)	(1,309)
Net retirement benefits liability	12	(234)	(232)	(240)
Deferred tax liabilities		(253)	(248)	(260)
Other non-current liabilities		(60)	(60)	(70)
Total non-current liabilities		**(2,549)**	**(1,820)**	**(1,879)**
Total liabilities		**(4,217)**	**(3,369)**	**(3,819)**
Net assets		**3,825**	**4,007**	**3,665**
Equity				
Combined share capital and stated capital		542	542	542
Retained earnings and other reserves		2,943	3,141	2,820
Total attributable to shareholders		**3,485**	**3,683**	**3,362**
Non-controlling interests in equity		340	324	303
Total equity		**3,825**	**4,007**	**3,665**

The Group's condensed combined and consolidated financial statements, and related notes 1 to 19, were approved by the Boards and authorised for issue on 27 February 2019 and were signed on their behalf by:

Peter Oswald
Director

Andrew King
Director

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

Condensed combined and consolidated statement of changes in equity

for the year ended 31 December 2018

€ million	Equity attributable to shareholders	Non-controlling interests	Total equity
At 1 January 2017, as previously reported	3,392	304	**3,696**
Impact of change in accounting policy (see note 2b)	(30)	(1)	**(31)**
Restated balance at 1 January 2017	3,362	303	**3,665**
Total comprehensive income for the year (restated)	605	41	**646**
Dividends	(273)	(22)	**(295)**
Purchases of treasury shares	(24)	—	**(24)**
Other	13	2	**15**
Restated balance at 31 December 2017	**3,683**	**324**	**4,007**
Total comprehensive income for the year	605	30	**635**
Dividends	(793)	(18)	**(811)**
Purchases of treasury shares	(15)	—	**(15)**
Other	5	4	**9**
At 31 December 2018	**3,485**	**340**	**3,825**

Equity attributable to shareholders

€ million	2018	Restated 2017
Combined share capital and stated capital	542	542
Treasury shares	(26)	(27)
Retained earnings	3,589	3,568
Cumulative translation adjustment reserve	(820)	(604)
Post-retirement benefits reserve	(75)	(71)
Share-based payment reserve	22	23
Cash flow hedge reserve	—	(1)
Merger reserve	259	259
Put option liability reserve	—	(4)
Other sundry reserves	(6)	(2)
Total	**3,485**	**3,683**

Condensed combined and consolidated statement of cash flows

for the year ended 31 December 2018

€ million	Notes	2018	Restated 2017
Cash flows from operating activities			
Cash generated from operations	14a	1,654	1,363
Dividends received from other investments		1	1
Income tax paid		(248)	(151)
Net cash generated from operating activities		**1,407**	**1,213**
Cash flows from investing activities			
Investment in property, plant and equipment		(709)	(611)
Investment in intangible assets		(10)	(16)
Investment in forestry assets		(53)	(49)
Investment in equity accounted investees		(7)	—
Acquisition of businesses, net of cash and cash equivalents	13	(402)	(37)
Other investing activities		24	19
Net cash used in investing activities		**(1,157)**	**(694)**
Cash flows from financing activities			
Proceeds from medium and long-term borrowings	14c	165	25
Repayment of medium and long-term borrowings	14c	—	(11)
Proceeds from Eurobonds	14c	600	—
Repayment of Eurobonds	14c	—	(500)
Net proceeds from short-term borrowings	14c	9	23
Repayment of lease liabilities		(25)	(27)
Interest paid		(73)	(97)
Dividends paid to shareholders	9	(793)	(273)
Dividends paid to non-controlling interests		(18)	(22)
Purchases of treasury shares		(15)	(24)
Net cash outflow from derivatives		(25)	(47)
Other financing activities		(8)	(5)
Net cash used in financing activities		**(183)**	**(958)**
Net increase/(decrease) in cash and cash equivalents		**67**	**(439)**
Cash and cash equivalents at beginning of year		(66)	377
Cash movement in the year	14c	67	(439)
Effects of changes in foreign exchange rates	14c	7	(4)
Cash and cash equivalents at end of year	14b	**8**	**(66)**

1 Basis of preparation

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

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

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

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2018 or 2017 but is derived from those accounts. Statutory accounts for 2017 have been delivered to the Registrar of Companies, and those for 2018 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the UK Companies Act 2006. Copies of their unqualified auditors' reports on the Integrated report and financial statements 2018 are available for inspection at the Mondi Limited and Mondi plc registered offices.

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

2a Accounting policies

The same accounting policies and alternative performance measures (APMs), methods of computation and presentation have been followed in the preparation of the condensed combined and consolidated financial statements for the year ended 31 December 2018 as were applied in the preparation of the Group's annual financial statements for 31 December 2017, except as set out below:

- The new Standards IFRS 9, 'Financial Instruments' and IFRS 15, 'Revenue from Contracts with Customers' (including amendment), are effective and have been adopted, together with the early adoption of IFRS 16, 'Leases', for the financial year beginning on 1 January 2018. The accounting policies have been updated to reflect the changes required by the new accounting standards. The transitional options selected are detailed below.
- A number of further amendments to IFRS became effective for the financial period beginning on 1 January 2018, but the Group did not have to change its accounting policies or make material retrospective adjustments as a result of adopting these new amendments.

Financial instruments
Financial assets and financial liabilities are recognised in the Group's condensed combined and consolidated statement of financial position when the Group becomes party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. 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 condensed combined and consolidated income statement.

Cash and cash equivalents (note 14b)

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 condensed combined and consolidated statement of financial position. Cash and cash equivalents presented in the condensed combined and consolidated statement of cash flows and in net debt (note 14c) are net of overdrafts.

Trade receivables

Trade receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairments.

2a Accounting policies (continued)

Impairment of trade receivables

A simplified lifetime Expected Credit Loss (ECL) model is used to assess trade receivables for impairment. ECL is the present value of all cash shortfalls over the expected life of a trade receivable. Expected credit losses are based on historical loss experience on trade receivables, adjusted to reflect information about current economic conditions and reasonable and supportable forecasts of future economic conditions. At the date of initial recognition, the credit losses expected to arise over the lifetime of a trade receivable are recognised as an impairment.

Trade payables

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

Borrowings (note 11)

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 condensed 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 condensed combined and consolidated income statement in the period in which they are incurred.

Derivative financial instruments and hedge accounting

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 condensed combined and consolidated statement of financial position within financial instruments, and are classified as current or non-current depending on the maturity of the derivative.

Changes in the fair value of derivative financial instruments that are not formally designated in hedge relationships are recognised immediately in the condensed 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 condensed 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 condensed 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 condensed 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 condensed combined and consolidated income statement.

Transitional application

The Group has adopted IFRS 9, 'Financial Instruments', on 1 January 2018 and in accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. The comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Revenue from contracts with customers
Sale of goods (note 3)

Revenue is recognised from the sale of goods and is measured at the amount of the transaction price received in exchange for transferring goods. The transaction price is the expected consideration to be received, to the extent that it is highly probable that there will not be a significant reversal of revenue in future, after deducting discounts, volume rebates, value added tax and other sales taxes. When the period of time between delivery of goods and subsequent payment by the customer is less than one year, no adjustment for a financing component is made.

Control of the goods is passed when title and insurance risk have passed to the customer, which is typically when the goods have been delivered to a contractually agreed location.

2a Accounting policies (continued)

The incremental costs of obtaining a contract are recognised as an expense when the period of amortisation over which the costs would have been recognised is one year or less. If not, these costs are capitalised and amortised on a basis consistent with the transfer of goods to the customer to which the asset relates.

Transport revenue

Transport revenue is considered distinct when the Group provides transport services beyond the point in time when control of goods has passed to the customer. Such revenue is recognised over time.

Transitional application

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

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

Leases

To the extent that a right-of-control exists over an asset subject to a lease, with a lease term exceeding one year, a right-of-use asset, representing the Group's right to use the underlying leased asset, and a lease liability, representing the Group's obligation to make lease payments, are recognised in the condensed combined and consolidated statement of financial position at the commencement of the lease.

The right-of-use asset is measured initially at cost and includes the amount of initial measurement of the lease liability, any initial direct costs incurred, including advance lease payments, and an estimate of the dismantling, removal and restoration costs required in terms of the lease. Depreciation is charged to the condensed combined and consolidated income statement so as to depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The lease term shall include the period of an extension option where it is reasonably certain that the option will be exercised. Where the lease contains a purchase option the asset is written off over the useful life of the asset when it is reasonably certain that the purchase option will be exercised.

The lease liability is measured at the present value of the future lease payments, including variable lease payments that depend on an index and the exercise price of purchase options where it is reasonably certain that the option will be exercised, discounted using the interest rate implicit in the lease, if readily determinable. If the rate cannot be readily determined, the lessee's incremental borrowing rate is used. Finance charges are recognised in the condensed combined and consolidated income statement over the period of the lease.

Lease expenses for leases with a duration of one year or less and low-value assets are charged to the condensed combined and consolidated income statement when incurred. Low-value assets are based on qualitative and quantitative criteria.

Transitional application

The Group has elected to early adopt IFRS 16, 'Leases', with effect from 1 January 2018, with the retrospective transitional option per IFRS 16 C5 (a), applying IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'. The Group has elected to apply the practical expedient per IFRS 16 C3, 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 are, or contain, leases. All contracts previously assessed not to contain leases have not been reassessed.

Alternative Performance Measures

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

2b Restatement of comparative information

The following tables summarise the material impacts resulting from the changes in accounting policies on the Group's condensed combined and consolidated income statement, condensed combined and consolidated statement of comprehensive income, condensed combined and consolidated statement of financial position and condensed combined and consolidated statement of cash flows. The effect of restatement is purely attributable to the adoption of the new accounting standard IFRS 16, 'Leases'. IFRS 15, 'Revenue from Contracts with Customers', which has been applied retrospectively has no material impact and therefore is not included in any restatement of comparatives.

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. Previously rental costs under operating leases were charged to the condensed combined and consolidated income statement in equal annual amounts over the lease term unless another systematic basis was more representative of the pattern of use.

2b Restatement of comparative information (continued)

Condensed combined and consolidated income statement

€ million	2017 As previously reported (Audited)	Effect of restatement	As restated
Group revenue	**7,096**	**—**	**7,096**
Materials, energy and consumables used	(3,456)	4	(3,452)
Variable selling expenses	(525)	—	(525)
Gross margin	3,115	4	3,119
Maintenance and other indirect expenses	(319)	—	(319)
Personnel costs	(1,062)	—	(1,062)
Other net operating expenses	(313)	34	(279)
EBITDA	**1,421**	**38**	**1,459**
Depreciation, amortisation and impairments	(464)	(27)	(491)
Operating profit	**957**	**11**	**968**
Net profit from equity accounted investees	1	—	1
Total profit from operations and equity accounted investees	958	11	969
Net finance costs	(71)	(14)	(85)
Profit before tax	887	(3)	884
Tax charge	(173)	—	(173)
Profit for the year	**714**	**(3)**	**711**
Attributable to:			
Non-controlling interests	43	—	43
Shareholders	671	(3)	668

The restatement had no impact on special items.

Earnings per share (EPS) attributable to shareholders

(euro cents)	2017 As previously reported (Audited)	Effect of restatement	As restated
Basic EPS	138.6	(0.7)	137.9
Diluted EPS	138.5	(0.7)	137.8
Basic underlying EPS	149.5	(0.6)	148.9
Diluted underlying EPS	149.4	(0.6)	148.8
Basic headline EPS	146.0	(0.6)	145.4
Diluted headline EPS	145.9	(0.6)	145.3

Condensed combined and consolidated statement of comprehensive income

€ million	2017 As previously reported (Audited)	Effect of restatement	As restated
Profit for the year	**714**	**(3)**	**711**
Items that may subsequently be reclassified to the condensed combined and consolidated income statement	(75)	2	(73)
Items that will not subsequently be reclassified to the condensed combined and consolidated income statement	8	—	8
Other comprehensive expense for the year	**(67)**	**2**	**(65)**
Total comprehensive income for the year	**647**	**(1)**	**646**
Attributable to:			
Non-controlling interests	41	—	41
Shareholders	606	(1)	605

2b Restatement of comparative information (continued)

Condensed combined and consolidated statement of financial position

€ million	2017			At 1 January 2017		
	As previously reported (Audited)	Effect of restatement	As restated	As previously reported (Audited)	Effect of restatement	As restated
Property, plant and equipment	3,962	166	4,128	3,788	173	3,961
Goodwill	698	—	698	681	—	681
Intangible assets	111	—	111	120	—	120
Forestry assets	325	—	325	316	—	316
Deferred tax assets	25	1	26	26	1	27
Other non-current assets	33	—	33	35	—	35
Total non-current assets	**5,154**	**167**	**5,321**	**4,966**	**174**	**5,140**
Inventories	867	—	867	850	—	850
Trade and other receivables	1,106	—	1,106	1,049	—	1,049
Cash and cash equivalents	38	—	38	404	—	404
Other current assets	44	—	44	41	—	41
Total current assets	**2,055**	**—**	**2,055**	**2,344**	**—**	**2,344**
Total assets	**7,209**	**167**	**7,376**	**7,310**	**174**	**7,484**
Short-term borrowings	(267)	(24)	(291)	(651)	(22)	(673)
Trade and other payables	(1,074)	—	(1,074)	(1,100)	—	(1,100)
Other current liabilities	(184)	—	(184)	(167)	—	(167)
Total current liabilities	**(1,525)**	**(24)**	**(1,549)**	**(1,918)**	**(22)**	**(1,940)**
Medium and long-term borrowings	(1,098)	(182)	(1,280)	(1,119)	(190)	(1,309)
Net retirement benefits liability	(232)	—	(232)	(240)	—	(240)
Deferred tax liabilities	(255)	7	(248)	(267)	7	(260)
Other non-current liabilities	(60)	—	(60)	(70)	—	(70)
Total non-current liabilities	**(1,645)**	**(175)**	**(1,820)**	**(1,696)**	**(183)**	**(1,879)**
Total liabilities	**(3,170)**	**(199)**	**(3,369)**	**(3,614)**	**(205)**	**(3,819)**
Net assets	**4,039**	**(32)**	**4,007**	**3,696**	**(31)**	**3,665**
Equity						
Combined share capital and stated capital	542	—	542	542	—	542
Retained earnings and other reserves	3,172	(31)	3,141	2,850	(30)	2,820
Total attributable to shareholders	**3,714**	**(31)**	**3,683**	**3,392**	**(30)**	**3,362**
Non-controlling interests in equity	325	(1)	324	304	(1)	303
Total equity	**4,039**	**(32)**	**4,007**	**3,696**	**(31)**	**3,665**

Condensed combined and consolidated statement of cash flows

€ million	2017		
	As previously reported (Audited)	Effect of restatement	As restated
Net cash generated from operating activities	1,175	38	1,213
Net cash used in investing activities	(694)	—	(694)
Net cash used in financing activities	(920)	(38)	(958)
Net decrease in cash and cash equivalents	**(439)**	**—**	**(439)**

3 Operating segments

Effective from 1 August 2018, the Group reorganised its business units to achieve improved strategic alignment and operational coordination across the fibre-based packaging value chain. The changes to the Group's business units, and consequently to the Group's segmental reporting, are as follows:

- Packaging Paper and Fibre Packaging were replaced by a single business unit called Fibre Packaging; and
- there were no changes to the Consumer Packaging or Uncoated Fine Paper business units.

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

Year ended 31 December 2018

€ million, unless otherwise stated	Fibre Packaging	Consumer Packaging	Uncoated Fine Paper	Corporate	Intersegment elimination	Total
Segment revenue	4,108	1,611	1,877	—	(115)	**7,481**
Internal revenue	(62)	(5)	(48)	—	115	**—**
External revenue	4,046	1,606	1,829	—	—	**7,481**
Underlying EBITDA	1,086	194	516	(32)	—	**1,764**
Depreciation and impairments	(231)	(61)	(119)	(1)	—	**(412)**
Amortisation	(14)	(18)	(2)	—	—	**(34)**
Underlying operating profit/(loss)	841	115	395	(33)	—	**1,318**
Special items	(73)	(32)	(21)	—	—	**(126)**
Operating segment assets	4,394	1,552	1,852	4	(68)	**7,734**
Operating segment net assets	3,804	1,311	1,494	(9)	—	**6,600**
Additions to non-current non-financial assets	882	84	280	—	—	**1,246**
Capital expenditure cash payments	469	79	161	—	—	**709**
Underlying EBITDA margin (%)	*26.4*	*12.0*	*27.5*	—	—	***23.6***
Return on capital employed (%)	*26.8*	*9.0*	*31.9*	—	—	***23.6***
Average number of employees (thousands)[1]	13.5	6.0	6.5	0.1	—	**26.1**

Note:
1 Presented on a full time employee equivalent basis

Year ended 31 December 2017 (restated)

€ million, unless otherwise stated	Fibre Packaging	Consumer Packaging	Uncoated Fine Paper	Corporate	Intersegment elimination	Total
Segment revenue	3,735	1,646	1,832	—	(117)	**7,096**
Internal revenue	(64)	(5)	(48)	—	117	**—**
External revenue	3,671	1,641	1,784	—	—	**7,096**
Underlying EBITDA	833	222	464	(37)	—	**1,482**
Depreciation and impairments	(227)	(67)	(125)	(1)	—	**(420)**
Amortisation	(10)	(21)	(2)	—	—	**(33)**
Underlying operating profit/(loss)	596	134	337	(38)	—	**1,029**
Special items	3	(49)	(15)	—	—	**(61)**
Operating segment assets	3,794	1,552	1,826	17	(67)	**7,122**
Operating segment net assets	3,246	1,326	1,515	8	—	**6,095**
Additions to non-current non-financial assets	451	146	191	—	—	**788**
Capital expenditure cash payments	398	91	122	—	—	**611**
Underlying EBITDA margin (%)	*22.3*	*13.5*	*25.3*	—	—	**20.9**
Return on capital employed (%)	*20.6*	*10.4*	*26.6*	—	—	**19.3**
Average number of employees (thousands)[1]	13.4	6.0	6.8	0.1	—	**26.3**

Note:
1 Presented on a full time employee equivalent basis

3 Operating segments (continued)

Reconciliation of operating segment assets

€ million	2018 Segment assets	2018 Segment net assets	Restated 2017 Segment assets	Restated 2017 Segment net assets
Group total	**7,734**	**6,600**	**7,122**	**6,095**
Unallocated				
Investment in equity accounted investees	9	9	3	3
Deferred tax assets/(liabilities)	49	(204)	26	(222)
Other non-operating assets/(liabilities)	189	(360)	178	(337)
Group capital employed	**7,981**	**6,045**	**7,329**	**5,539**
Financial instruments/(net debt)	61	(2,220)	47	(1,532)
Total assets/equity	**8,042**	**3,825**	**7,376**	**4,007**

External revenue by location of production and by location of customer

€ million	External revenue by location of production 2018	External revenue by location of production 2017	External revenue by location of customer 2018	External revenue by location of customer 2017
Africa				
South Africa	609	617	459	426
Rest of Africa	43	19	264	206
Africa total	652	636	723	632
Western Europe				
Austria	1,106	1,043	160	146
Germany	887	891	985	952
United Kingdom	64	75	233	241
Rest of western Europe	623	532	1,470	1,340
Western Europe total	2,680	2,541	2,848	2,679
Emerging Europe				
Poland	1,161	992	636	592
Rest of emerging Europe	1,435	1,348	1,050	954
Emerging Europe total	2,596	2,340	1,686	1,546
Russia	944	907	694	720
North America	525	583	731	747
South America	—	—	100	71
Asia and Australia	84	89	699	701
Group total	**7,481**	**7,096**	**7,481**	**7,096**

4 Special items

€ million	2018	2017
Impairment of assets	(83)	(52)
Reversal of impairment of assets	2	14
Restructuring and closure costs:		
Personnel costs	(15)	(9)
Other restructuring and closure costs	(30)	(14)
Total special items before tax	**(126)**	**(61)**
Tax credit (see note 7)	34	8
Total special items	**(92)**	**(53)**

4 Special items (continued)

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

- Fibre Packaging
  - Discontinuation of in-line silicone coating production at Štětí (Czech Republic). Restructuring costs of €4 million and related impairment of assets of €51 million were recognised.
  - Restructuring of industrial bags operations in the US. Restructuring costs of €9 million and related impairment of assets of €9 million were recognised.
- Consumer Packaging
  - Restructuring of operations, primarily in the UK. Restructuring costs of €13 million and impairment of assets of €16 million were recognised.
  - Following the discontinuation of in-line silicone coating production at Štětí (Czech Republic), restructuring costs of €3 million and related impairment of assets of €2 million were recognised. Reversal of impairment of assets of €2 million was recognised.
- Uncoated Fine Paper
  - Closure of an uncoated fine paper machine at Merebank (South Africa). Restructuring costs of €16 million and related impairment of assets of €5 million were recognised.

5 Write-down of inventories to net realisable value

€ million	2018	2017
Write-down of inventories to net realisable value	(21)	(22)
Aggregate reversal of previous write-downs of inventories	13	19

6 Net finance costs

Net finance costs are presented below:

€ million	2018	Restated 2017
Investment income		
Investment income	**8**	**4**
Net foreign currency losses		
Net foreign currency losses	**(4)**	**(2)**
Finance costs		
Interest expense		
Interest on bank overdrafts and loans	(77)	(65)
Interest on lease liabilities	(14)	(14)
Net interest expense on net retirement benefits liability	(8)	(9)
Total interest expense	**(99)**	**(88)**
Less: Interest capitalised	7	1
Total finance costs	**(92)**	**(87)**
Net finance costs	**(88)**	**(85)**

Net interest expense for the year was €83 million (2017 restated: €75 million). The effective interest rate was 4.19% (2017 restated: 4.77%) based on trailing 12-month average net debt of €1,979 million (2017 restated: €1,572 million).

The weighted average interest rate applicable to capitalised interest on general borrowings for the year ended 31 December 2018 was 4.08% (2017: 4.05%) and was related to investments in the Czech Republic and South Africa (2017: Poland, the Czech Republic and South Africa).

7 Taxation

The Group's effective rate of tax before special items for the year ended 31 December 2018 was 22% (2017: 19%). The increase in effective tax rate is partly due to the full utilisation of tax incentives in Poland in 2017.

7 Taxation (continued)

€ million	2018	Restated 2017
UK corporation tax at 19.00% (2017: 19.25%)	1	1
South Africa corporation tax at 28% (2017: 28%)	21	28
Overseas tax	244	153
Current tax in respect of prior years	—	5
Current tax	**266**	**187**
Deferred tax in respect of the current year	15	16
Deferred tax in respect of prior years	(8)	(23)
Deferred tax attributable to a change in the rate of domestic income tax	—	1
Tax charge before special items	**273**	**181**
Current tax on special items	(2)	(2)
Deferred tax on special items	(32)	(6)
Tax credit on special items (see note 4)	**(34)**	**(8)**
Tax charge for the year	**239**	**173**

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	2018	Restated 2017
Profit for the year attributable to shareholders	**824**	**668**
Special items (see note 4)	126	61
Related tax (see note 4)	(34)	(8)
Underlying earnings for the year	**916**	**721**
Special items not excluded from headline earnings	(45)	(23)
(Gain)/loss on disposal of property, plant and equipment	(1)	1
Net loss on disposal of businesses and equity accounted investees	3	—
Impairments not included in special items	2	4
Related tax	20	1
Headline earnings for the year	**895**	**704**

	Weighted average number of shares	
million	2018	2017
Basic number of ordinary shares outstanding	**484.4**	**484.3**
Effect of dilutive potential ordinary shares	0.2	0.3
Diluted number of ordinary shares outstanding	**484.6**	**484.6**

9 Dividends

An interim ordinary dividend for the year ended 31 December 2018 of 21.45 euro cents / 334.42009 rand cents per ordinary share was paid on 14 September 2018 to all Mondi Limited and Mondi plc ordinary shareholders on the relevant registers on 24 August 2018.

A proposed final ordinary dividend for the year ended 31 December 2018 of 54.55 euro cents per ordinary share will be paid on Thu 16 May 2019 to those shareholders on the register of Mondi plc on Fri 12 April 2019. An equivalent South African rand final ordinary dividend will be paid on Thu 16 May 2019 to shareholders on the register of Mondi Limited on Fri 12 April 2019.

The final ordinary dividend proposed has been recommended by the Boards and is subject to the approval of the shareholders of Mondi Limited and Mondi plc at the respective Annual General Meetings scheduled for 9 May 2019.

9 Dividends (continued)

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

euro cents per share	2018	2017
Final ordinary dividend paid (in respect of prior year)	42.90	38.19
Special dividend paid (in respect of prior year)	100.00	—
Interim ordinary dividend paid	21.45	19.10
Final ordinary dividend proposed for the year ended 31 December	54.55	42.90
Special dividend proposed for the year ended 31 December	—	100.00
Total final ordinary and special dividends proposed for the year ended 31 December	**54.55**	**142.90**

€ million	2018	2017
Final ordinary dividend paid (in respect of prior year)	207	180
Special dividend paid (in respect of prior year)	484	—
Interim ordinary dividend paid	102	93
Total ordinary and special dividends paid	**793**	**273**
Final ordinary dividend proposed for the year ended 31 December	264	208
Special dividend proposed for the year ended 31 December	—	485
Total final ordinary and special dividends proposed for the year ended 31 December	**264**	**693**
Declared by Group companies to non-controlling interests	18	22

Dividend timetable

The proposed final ordinary dividend for the year ended 31 December 2018 of 54.55 euro cents per share will be paid in accordance with the following timetable:

	Mondi Limited	Mondi plc
Last date to trade shares cum-dividend		
JSE Limited	Tue 9 April 2019	Tue 9 April 2019
London Stock Exchange	Not applicable	Wed 10 April 2019
Shares commence trading ex-dividend		
JSE Limited	Wed 10 April 2019	Wed 10 April 2019
London Stock Exchange	Not applicable	Thu 11 April 2019
Record date		
JSE Limited	Fri 12 April 2019	Fri 12 April 2019
London Stock Exchange	Not applicable	Fri 12 April 2019
Last date for receipt of Dividend Reinvestment Plan (DRIP) elections by Central Securities Depository Participants	Thu 18 April 2019	Thu 18 April 2019
Last date for DRIP elections to UK Registrar and South African Transfer Secretaries by shareholders of Mondi Limited and Mondi plc	Tue 23 April 2019	Tue 23 April 2019
Payment Date		
South African Register	Thu 16 May 2019	Thu 16 May 2019
UK Register	Not applicable	Thu 16 May 2019
DRIP purchase settlement dates (subject to the purchase of shares in the open market)	Wed 22 May 2019	Mon 20 May 2019*
Currency conversion date		
ZAR/euro	Thu 28 February 2019	Thu 28 February 2019
Euro/sterling	Not applicable	Tue 30 April 2019

*Wed 22 May 2019 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 Wed 10 April 2019 and Sun 14 April 2019, both dates inclusive, nor may transfers between the UK and South African registers of Mondi plc take place between Sat 6 April 2019 and Sun 14 April 2019, both dates inclusive.

Information relating to the dividend tax to be withheld from Mondi Limited shareholders and Mondi plc shareholders on the South African branch register will be announced separately, together with the ZAR/euro exchange rate to be applied, on or shortly after 28 February 2019.

10 Forestry assets

€ million	2018	2017
At 1 January	325	316
Capitalised expenditure	46	46
Acquisition of assets	7	3
Acquired through business combinations (see note 13)	14	—
Fair value gains	43	43
Impairment losses recognised	—	(3)
Felling costs	(60)	(73)
Currency movements	(35)	(7)
At 31 December	**340**	**325**
Comprising		
Mature	197	190
Immature	143	135
Total forestry assets	**340**	**325**

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

11 Borrowings

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

€ million	Maturity	Interest rate %	2018	2017
Financing facilities				
Syndicated Revolving Credit Facility	July 2021	EURIBOR/LIBOR + margin	750	750
€500 million Eurobond	September 2020	3.375%	500	500
€500 million Eurobond	April 2024	1.500%	500	500
€600 million Eurobond	April 2026	1.625%	600	—
European Investment Bank Facility	June 2025	EURIBOR + margin	62	71
Export Credit Agency Facility	June 2020	EURIBOR + margin	15	34
Other	Various	Various	60	132
Total committed facilities			**2,487**	**1,987**
Drawn			(1,871)	(1,196)
Total committed facilities available			**616**	**791**

In April 2018 the Group issued a €600 million Eurobond maturing in 2026 at a coupon rate of 1.625% per annum. The Eurobond has been issued under the Group's Guaranteed Euro Medium Term Note Programme.

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 stable).

	2018			Restated 2017		
€ million	Current	Non-current	Total	Current	Non-current	Total
Secured						
Bank loans and overdrafts	2	—	2	—	—	—
Lease liabilities	22	162	184	25	183	208
Total Secured	24	162	**186**	25	183	**208**
Unsecured						
Bonds	—	1,592	1,592	—	995	995
Bank loans and overdrafts	237	245	482	255	94	349
Other loans	7	3	10	11	8	19
Total unsecured	244	1,840	**2,084**	266	1,097	**1,363**
Total borrowings	**268**	**2,002**	**2,270**	**291**	**1,280**	**1,571**

11 Borrowings (continued)

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

2018/€ million	Floating rate borrowings	Fixed rate borrowings	Total carrying value	Fair value
Euro	196	1,640	1,836	1,853
South African rand	6	28	34	34
Turkish lira	52	14	66	65
US dollar	11	20	31	31
Russian rouble	1	71	72	73
Other currencies	203	28	231	231
Carrying value	**469**	**1,801**	**2,270**	
Fair value	**469**	**1,818**		**2,287**

2017/€ million (restated)	Floating rate borrowings	Fixed rate borrowings	Total carrying value	Fair value
Euro	129	1,051	1,180	1,243
South African rand	103	32	135	135
Turkish lira	56	1	57	57
US dollar	10	22	32	32
Russian rouble	4	83	87	69
Other currencies	53	27	80	84
Carrying value	**355**	**1,216**	**1,571**	
Fair value	**355**	**1,265**		**1,620**

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

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

€ million	2018	2017
Short-dated contracts with tenures of less than 12 months		
Pound sterling	(145)	7
Czech koruna	378	251
Polish zloty	285	297
Russian rouble	(91)	(164)
Swedish krona	39	31
US dollar	54	96
Other	118	89
Total swapped	**638**	**607**

12 Retirement benefits

All assumptions related to the Group's defined benefit schemes and post-retirement medical plan liabilities were re-assessed individually for the year ended 31 December 2018. Due to changes in assumptions and exchange rate movements, the net retirement benefits liability increased by €2 million and the net retirement benefits asset decreased by €1 million. The assets backing the defined benefit scheme liabilities reflect their market values as at 31 December 2018. Net remeasurement gains arising from changes in assumptions amounting to €4 million have been recognised in the condensed combined and consolidated statement of comprehensive income.

13 Business combinations

To 31 December 2018

Acquisition of Powerflute Group Holdings Oy
Mondi acquired 100% of the outstanding share capital of Powerflute Group Holdings Oy (Powerflute) on 1 June 2018 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 provisional goodwill arising on the acquisition is attributable to the anticipated synergies from integrating Powerflute into the Group, the benefits from the skilled workforce and the expansion of the product range and geographic reach of Mondi’s containerboard business.

Powerflute's revenue for the year ended 31 December 2018 was €170 million with a profit after tax of €17 million. Powerflute's revenue of €99 million and profit after tax of €8 million since the date of acquisition have been included in the condensed combined and consolidated income statement.

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	64	42	106
Intangible assets	7	3	10
Other non-current assets	1	—	1
Inventories	14	5	19
Trade and other receivables	48	—	48
Cash and cash equivalents	6	—	6
Other current assets	1	—	1
Total assets	**141**	**50**	**191**
Trade and other payables	(35)	—	(35)
Income tax liabilities	(3)	—	(3)
Other current liabilities	(1)	—	(1)
Deferred tax liabilities	(11)	(10)	(21)
Other provisions	—	(1)	(1)
Total liabilities (excluding debt)	**(50)**	**(11)**	**(61)**
Short-term borrowings	(31)	—	(31)
Debt assumed	**(31)**	**—**	**(31)**
Net assets acquired	**60**	**39**	**99**
Goodwill arising on acquisitions			242
Total consideration			**341**
Comprising			
Consideration paid in cash			341

€ million	Fair value
Net cash outflow arising on acquisition	
Consideration paid in cash	341
Cash acquired	(6)
Transaction costs paid	6
Net cash paid per condensed combined and consolidated statement of cash flows	**341**

Other acquisitions
Mondi acquired the operating business and the underlying assets and liabilities of World Hardwood Proprietary Limited (World Hardwood) on 1 May 2018 for a consideration of ZAR408 million (€27 million) on a debt and cash-free basis. World Hardwood is a supplier of wood and operates forest plantations in KwaZulu-Natal, South Africa. The acquisition increases the level of secure wood supply.

World Hardwood's revenue for the year ended 31 December 2018 was €nil with a profit after tax of €1 million. World Hardwood's revenue of €nil and profit after tax of €1 million since the date of acquisition have been included in the condensed combined and consolidated income statement.

13 Business combinations (continued)

Mondi acquired 100% of the outstanding shares in National Company for Paper Products and Import & Export (S.A.E.) (NPP) on 20 June 2018 for a total consideration of EGP510 million (€25 million) on a debt and cash-free basis. NPP is an industrial bags producer, operating one plant in Giza near Cairo, Egypt, serving mostly regional customers.

NPP's revenue for the year ended 31 December 2018 was €36 million with a profit after tax of €3 million. NPP's revenue of €18 million and profit after tax of €1 million since the date of acquisition have been included in the condensed combined and consolidated income statement.

Mondi acquired control of Suez Bags Company (S.A.E.) (Suez Bags) for EGP26.01 per share (€1.26 per share) on 6 August 2018, which implies an equity value of EGP284 million (€14 million) on a 100% basis. Mondi now owns 96% of the company. Suez Bags is an industrial bags producer, operating one plant near Cairo, Egypt, serving mostly regional customers. Suez Bags, together with NPP, complement the Group's network of plants in the growing Middle East region, and provide the Group with a leading position in Egypt to grow the business and better serve customers.

Suez Bags' revenue for the year ended 31 December 2018 was €23 million with a profit after tax of €nil. Suez Bags revenue of €10 million and profit after tax of €nil since the date of acquisition have been included in the condensed combined and consolidated income statement.

Details of the net assets acquired in relation to World Hardwood, NPP and Suez Bags, as adjusted from book to fair value, are as follows:

€ million	Book value	Revaluation	Fair value
Net assets acquired			
Property, plant and equipment	18	12	30
Intangible assets	—	4	4
Forestry assets	13	1	14
Inventories	7	—	7
Trade and other receivables	9	—	9
Cash and cash equivalents	4	—	4
Total assets	**51**	**17**	**68**
Trade and other payables	(5)	(2)	(7)
Income tax liabilities	(2)	—	(2)
Net retirement benefits liability	—	(1)	(1)
Deferred tax liabilities	—	(3)	(3)
Other provisions	—	(1)	(1)
Total liabilities (excluding debt)	**(7)**	**(7)**	**(14)**
Short-term borrowings	(4)	—	(4)
Medium and long-term borrowings	—	(1)	(1)
Debt assumed	**(4)**	**(1)**	**(5)**
Net assets acquired	**40**	**9**	**49**
Goodwill arising on acquisitions			15
Total consideration			**64**
Comprising			
Consideration paid in cash			60
Fair value of associate interest previously held			4

€ million	Fair value
Net cash outflow arising on acquisition	
Consideration paid in cash	60
Transaction costs paid	1
Net cash paid per condensed combined and consolidated statement of cash flows	**61**

€ million	Goodwill	Net assets	Consideration
World Hardwood	—	27	27
NPP	11	13	24
Suez Bags	3	10	13
Acquisitions total	**14**	**50**	**64**
Purchase price allocation adjustment (TSP)	1	(1)	—
Acquisitions total including adjustments	**15**	**49**	**64**

13 Business combinations (continued)

The Group incurred transaction costs of €9 million relating to the acquisitions completed in 2018. The transaction costs were expensed to the condensed combined and consolidated income statement.

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

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

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

To 31 December 2017

Mondi acquired 100% of the outstanding share capital of Excelsior Technologies Limited (Excelsior) on 3 February 2017 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.

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.

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 provisional fair values at acquisition of TSP have been adjusted. Property, plant and equipment reduced by €1 million, goodwill increased by €1 million. The net effect of this adjustment is €nil and has been recorded during the year ended 31 December 2018.

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			26
Total consideration			**43**
Comprising			
Consideration paid in cash			38
Deferred acquisition consideration			1
Fair value of associate interest previously held			4

€ million	Fair value
Net cash outflow arising on acquisition	
Consideration paid in cash	38
Cash acquired net of overdrafts	(2)
Transaction costs paid	1
Net cash paid per condensed combined and consolidated statement of cash flows	**37**

13 Business combinations (continued)

€ million	Goodwill	Net assets	Consideration
Excelsior	21	12	33
SK Recycling	—	1	1
TSP	3	4	7
Acquisitions total	**24**	**17**	**41**
Purchase price adjustment (Uralplastic)	2	—	2
Acquisitions total including adjustments	**26**	**17**	**43**

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

14 Consolidated cash flow analysis

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

€ million	2018	Restated 2017
Profit before tax	**1,105**	**884**
Depreciation and amortisation	444	449
Impairment of property, plant and equipment (not included in special items)	2	4
Share-based payments	11	15
Net cash flow effect of current and prior year special items	97	40
Net finance costs	88	85
Net profit from equity accounted investees	(1)	(1)
Decrease in provisions and net retirement benefits	(7)	(16)
Increase in inventories	(112)	(19)
Increase in operating receivables	(84)	(87)
Increase/(decrease) in operating payables	79	(16)
Fair value gains on forestry assets	(43)	(43)
Felling costs	60	73
(Profit)/loss on disposal of property, plant and equipment	(1)	1
Net loss from disposal of businesses and equity accounted investees	3	—
Other adjustments	13	(6)
Cash generated from operations	**1,654**	**1,363**

(b) Cash and cash equivalents

€ million	2018	2017
Cash and cash equivalents per condensed combined and consolidated statement of financial position	52	38
Bank overdrafts included in short-term borrowings	(44)	(104)
Cash and cash equivalents per condensed combined and consolidated statement of cash flows	**8**	**(66)**

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

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

14 Consolidated cash flow analysis (continued)

(c) Movement in net debt

The Group's net debt position is as follows:

€ million	Cash and cash equivalents	Current financial asset investments	Debt due within one year	Debt due after one year	Debt-related derivative financial instruments	Total net debt
At 1 January 2017, as previously reported	377	2	(624)	(1,119)	(19)	**(1,383)**
Impact of change in accounting policy (see note 2b)	—	—	(22)	(190)	—	**(212)**
Restated balance at 1 January 2017	377	2	(646)	(1,309)	(19)	**(1,595)**
Cash flow (restated)	(439)	(1)	504	(14)	—	**50**
Additions to lease liabilities (restated)	—	—	(5)	(22)	—	**(27)**
Acquired through business combinations	—	(1)	(2)	(8)	—	**(11)**
Movement in unamortised loan costs	—	—	—	(2)	—	**(2)**
Net movement in derivative financial instruments	—	—	—	—	20	**20**
Reclassification (restated)	—	1	(54)	54	—	**1**
Currency movements (restated)	(4)	—	16	21	(1)	**32**
Restated balance at 31 December 2017	**(66)**	**1**	**(187)**	**(1,280)**	**—**	**(1,532)**
Cash flow	67	—	16	(765)	—	**(682)**
Additions to lease liabilities	—	—	(5)	(19)	—	**(24)**
Disposal of lease liabilities	—	—	2	4	—	**6**
Acquired through business combinations (see note 13)	—	—	(31)	(1)	—	**(32)**
Movement in unamortised loan costs	—	—	—	(2)	—	**(2)**
Net movement in derivative financial instruments	—	—	—	—	(2)	**(2)**
Reclassification	—	—	(39)	42	—	**3**
Currency movements	7	—	20	19	(1)	**45**
At 31 December 2018	**8**	**1**	**(224)**	**(2,002)**	**(3)**	**(2,220)**

(d) Cash flow generation

€ million	2018	Restated 2017
Net cash generated from operating activities	**1,407**	**1,213**
Investing activities	**(42)**	**(46)**
Net cash used in investing activities	(1,157)	(694)
Investment in property, plant and equipment	709	611
Investment in equity accounted investees	7	—
Proceeds from the disposal of businesses, net of cash and cash equivalents	(3)	—
Acquisition of businesses, net of cash and cash equivalents	402	37
Financing activities	**(139)**	**(195)**
Interest paid	(73)	(97)
Dividends paid to non-controlling interests	(18)	(22)
Purchases of treasury shares	(15)	(24)
Net cash outflow from derivatives	(25)	(47)
Other financing activities	(8)	(5)
Cash flow generation	**1,226**	**972**

15 Capital commitments

€ million	2018	2017
Contracted for but not provided	434	393
Approved, not yet contracted for	1,606	1,545
Total capital commitments	**2,040**	**1,938**

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

€ million	2018	2017
Intangible assets	40	47
Property, plant and equipment	2,000	1,891
Total capital commitments	**2,040**	**1,938**

The expected maturity of these capital commitments is:

€ million	2018	2017
Within one year	842	740
One to two years	663	672
Two to five years	535	526
Total capital commitments	**2,040**	**1,938**

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

16 Contingent liabilities

Contingent liabilities comprise aggregate amounts as at 31 December 2018 of €6 million (2017: €6 million) in respect of loans and guarantees given to banks and other third parties. No acquired contingent liabilities have been recorded in the Group's condensed combined and consolidated statement of financial position for either year presented.

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

17 Fair value measurement

Assets and liabilities that are measured at fair value, or where the fair value of financial instruments has been disclosed in the notes to the condensed 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 10 and certain assets acquired or liabilities assumed in business combinations.

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

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

17 Fair value measurement (continued)

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

€ million	Carrying amount 2018	Carrying amount Restated 2017	Fair value 2018	Fair value Restated 2017
Financial liabilities				
Borrowings	2,270	1,571	2,287	1,620

18 Related party transactions

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

Transactions between Mondi Limited, Mondi plc and their respective subsidiaries, which are related parties, have been eliminated on consolidation. There have been no significant changes to related parties as disclosed in note 30 of the Group's annual financial statements for the year ended 31 December 2017.

19 Events occurring after 31 December 2018

With the exception of the final ordinary dividend proposed for 2018 (see note 9), there have been no material reportable events since 31 December 2018.

Production statistics

		2018	2017
Fibre Packaging			
Containerboard	'000 tonnes	2,530	2,297
Kraft paper	'000 tonnes	1,118	1,206
Softwood pulp	'000 tonnes	1,986	2,010
Internal consumption	'000 tonnes	1,844	1,874
Market pulp	'000 tonnes	142	136
Hardwood pulp	'000 tonnes	714	547
Internal consumption	'000 tonnes	714	543
Market pulp	'000 tonnes	—	4
Corrugated board and boxes	million m^2	1,635	1,650
Industrial bags	million units	5,255	4,952
Extrusion coatings	million m^2	1,230	1,281
Consumer Packaging			
Consumer packaging	million m^2	7,278	7,437
Uncoated Fine Paper			
Uncoated fine paper	'000 tonnes	1,649	1,644
Softwood pulp	'000 tonnes	386	375
Internal consumption	'000 tonnes	358	358
Market pulp	'000 tonnes	28	17
Hardwood pulp	'000 tonnes	1,244	1,345
Internal consumption	'000 tonnes	906	950
Market pulp	'000 tonnes	338	395
Newsprint	'000 tonnes	207	277

Exchange rates

	Average		Closing	
versus euro	2018	2017	2018	2017
South African rand	15.62	15.04	16.46	14.81
Czech koruna	25.65	26.33	25.72	25.54
Polish zloty	4.26	4.26	4.30	4.18
Pound sterling	0.88	0.88	0.89	0.89
Russian rouble	74.04	65.88	79.72	69.39
Turkish lira	5.71	4.12	6.06	4.55
US dollar	1.18	1.13	1.15	1.20

Alternative Performance Measures

The Group presents certain measures of financial performance, position or cash flows in the condensed 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 14c)
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) (note 3)
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 major capital expenditure projects which are not yet in production. Segments' 12-month average capital employed has been extracted from management reports. ROCE provides a measure of the efficient and effective use of capital in the business.

Special items (note 4)
Those financial items which the Group considers should be separately disclosed on the face of the condensed combined and consolidated income statement to assist in understanding the underlying financial performance achieved by the Group. Such items are generally material by nature and exceed €10 million and the Group, therefore, excludes these items when reporting underlying earnings and related measures in order to provide a measure of the underlying performance of the Group on a basis that is comparable from year to year. 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.

Underlying EBITDA (condensed combined and consolidated income statement)
Operating profit before special items, depreciation, amortisation and impairments not recorded as special items. Underlying EBITDA provides a measure of the cash generating ability of the business that is comparable from year to year.

Underlying operating profit (condensed combined and consolidated income statement)
Operating profit before special items. Underlying operating profit provides a measure of operating performance that is comparable from year to year.

Underlying profit before tax (condensed combined and consolidated income statement)
Profit before tax and special items. Underlying profit before tax provides a measure of the Group's profitability before tax that is comparable from year to year.

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 earnings that is comparable from year to year.

Headline EPS (note 8)
The presentation of headline EPS is mandated under the Listings Requirements of the JSE Limited and is calculated in accordance with Circular 4/2018, 'Headline Earnings', as issued by the South African Institute of Chartered Accountants.

Cash flow generation (note 14d)
A measurement of the Group's cash generation before considering deployment of cash towards investment in property, plant and equipment ('capex' or 'capital expenditure'), acquisitions and disposals of businesses, investment in equity accounted investees 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 (note 3)
Underlying EBITDA expressed as a percentage of revenue provides a measure of the cash-generating ability relative to revenue.

Underlying operating profit margin
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.

Net interest expense (note 6)
Net interest expense comprises interest expense on bank overdrafts, loans and lease liabilities net of investment income providing an absolute measure of the cost of borrowings.

Alternative Performance Measures (continued)

Effective interest rate (note 6)
Net interest expense expressed as a percentage of trailing 12-month average net debt provides a measure of the cost of borrowings.

Effective tax rate (note 7)
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.

Forward-looking statements

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

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

Mondi expressly disclaims a) any warranty or liability as to accuracy or completeness of the information provided herein; and b) any obligation or undertaking to review or confirm analysts' expectations or estimates or to update any forward-looking statements to reflect any change in Mondi's expectations or any events that occur or circumstances that arise after the date of making any forward-looking statements, unless required to do so by applicable law or any regulatory body applicable to Mondi, including the JSE Limited and the LSE.

Any reference to future financial performance included in this announcement has not been reviewed or reported on by the Group's auditors.

Editors' notes

Mondi is a global leader in packaging and paper, delighting its customers and consumers with innovative and sustainable packaging and paper solutions. Mondi is fully integrated across the packaging and paper value chain - from managing forests and producing pulp, paper and plastic films, to developing and manufacturing effective industrial and consumer packaging solutions. Sustainability is embedded in everything Mondi does. In 2018, Mondi had revenues of €7.48 billion and underlying EBITDA of €1.76 billion.

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

Sponsor in South Africa: UBS South Africa Proprietary Limited.