Mondi Group
Integrated report
and financial
statements 2018

Sustainable packaging and paper by design

Mondi is a global packaging and paper company.

Our name may not be familiar to the public, but our products are. They touch the lives of millions of people at home, at work and at leisure every day.

Packaging is in the spotlight as people look for ways to achieve sustainable consumerism. Packaging is both the answer and the problem. It protects and prolongs the life of products, making them more accessible to people around the world. It is also disposable and when used poorly, it suffocates our oceans and poisons the land. Used well it is reusable, recyclable, compostable – sustainable by design.

We have a responsibility to provide the answers, and we're perfectly placed to do it with a range of innovative paper-based, flexible plastic and hybrid packaging solutions.

Front cover:
Sustainable by design: paper where possible, plastic when useful
By taking a holistic view, we can develop solutions that consider the needs of each customer, their products and the planet. For example, our paper-based industrial bags are strong, light-weight and made from a renewable resource.

Mondi today…

We have delivered more than 10 years of successful growth as a listed company – building on our heritage of 50 years as Mondi and more than 200 years in papermaking.

Today we are a global industry player with an outstanding reputation for excellence, leadership, and sustainably adding value.

26,100
employees

102
production sites

33
countries

6 million
tonnes annual paper and market pulp production

all set for tomorrow.

Our customers and the world need new solutions from us: high-quality paper and brilliant packaging that's fit for purpose, competitively priced and designed to be reused, recycled or composted.

And that's exactly what we are doing.

Performance highlights[1]

- → Strong financial performance on all key metrics
- → Robust operational performance and strong cost control across the Group
- → Capital investment projects on track and delivering growth
- → Good progress integrating acquisitions, total spend €424 million
- → Delivering against our 2020 Growing Responsibly commitments
- → Announced intention to simplify corporate structure

Revenue
€7,481m ↑5%

Return on capital employed
23.6%

Safety: total recordable case rate – reduction against 2015 baseline
11%

Underlying earnings per share
189.1 euro cents ↑27%

Underlying EBITDA
€1,764m ↑19%
23.6% underlying EBITDA margin

Reduction in total specific CO_2e emissions against 2014 baseline
14.5%

Profit before tax
€1,105m ↑25%

Ordinary dividend per share
76.0 euro cents ↑23%

Electricity self-sufficiency
100%

Capital expenditure
€709m

Underlying operating profit
€1,318m ↑28%

FSC™ or PEFC™ certified wood[2]
71%

Basic earnings per share
170.1 euro cents ↑23%

Scope

Mondi's Integrated report and financial statements 2018 is our primary report to shareholders.

The scope of this report covers the Group's main business and operations, and provides an overview of the performance of the Group for the year ended 31 December 2018.

All significant items are reported on a like-for-like basis, unless otherwise stated.

Our Integrated report is prepared in accordance with the requirements of both the Listings Requirements of the JSE Limited and the Disclosure Guidance and Transparency and Listing Rules of the United Kingdom Listing Authority. We also prepare a detailed Sustainable development report, in accordance with the GRI G4 core requirements and externally assured, which is available at www.mondigroup.com/sd18.

Alternative Performance Measures

The Group presents certain measures of financial performance, position or cash flows in this report that are not defined or specified according to International Financial Reporting Standards (IFRS). These measures, referred to as Alternative Performance Measures (APMs), are defined in note 32 and where relevant reconciled to IFRS in the notes to the combined and consolidated financial statements, and are prepared on a consistent basis for all periods presented.

Non-financial information statement

In accordance with sections 414CA and 414CB of the UK Companies Act 2006, each of the required non-financial information disclosures can be found in the Strategic report. A summary table is set out on page 50.

Materiality

Mondi's Integrated report and financial statements 2018 aims to provide a fair, balanced and understandable assessment of our business model, strategy, performance and prospects in relation to material financial, economic, social, environmental and governance issues.

The material focus areas were determined considering the following:

→ Specific quantitative and qualitative criteria

→ Matters critical in relation to achieving our strategic objectives

→ Principal risks identified through our risk management process

→ Feedback from key stakeholders during the course of the year

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 32 and 33 of the combined and consolidated financial statements

2 The Forest Stewardship Council™ (FSC™) and Programme for the Endorsement of Forest Certification™ (PEFC™)

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Our businesses

Sustainable packaging and paper by design

Fibre Packaging

Business review
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Our virgin and recycled containerboard is used to make corrugated packaging designed to protect our customers' products and display them in-store and online. We produce a full range of corrugated packaging from traditional boxes to fully customised multi-piece solutions, appealing point-of-sale displays and heavy-duty shipping containers.

As the global leader in sack kraft paper and industrial bags, we create strong, light-weight and sustainable products for cement and building materials, agricultural, chemical and food products.

Our speciality kraft paper is used to make a variety of packaging solutions from industrial applications to retail shopping bags and more sustainable food packaging. Extrusion coatings provide high-quality barriers for a range of products from food packaging to building insulation.

Segment revenue

€4,108m

Underlying EBITDA

Consumer Packaging

Business review
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Our consumer goods packaging products extend shelf-life and improve end-user experience. We offer a range of flexible packaging such as stand-up pouches and re-closable bags.

Personal care components form part of diaper, femcare and adult incontinence products. They include soft nonwovens, stretchy elastic films and laminates, mechanical fastening components and wrapping films.

Our release liners are used for tapes, fibre composites and graphic arts; and our technical films provide solutions from high-barrier films to surface protection films.

Segment revenue

€1,611m

Underlying EBITDA

Uncoated Fine Paper

Business review
Page 80-83

We transform responsibly sourced raw materials into innovative paper products that meet customer needs in a cost-effective and sustainable way. Our extensive range of office papers is designed to achieve optimal print results on laser, inkjet and copy machines.

High-performance professional printing papers are dedicated for offset presses and the latest digital print technologies.

With our wide range of high-quality papers we aim to provide customers a one-stop-shop solution for their needs.

Segment revenue

€1,877m

Underlying EBITDA

Our award winning products

Mondi won eight 2019 WorldStar awards, more than any other packaging company worldwide. BarrierPack Recyclable has also been shortlisted as one of three finalists for their special Sustainability Award (winner to be announced in May 2019).

WORLDSTAR WINNER 2019

The WorldStar awards are run by the World Packaging Organisation (WPO) and are considered to be the pre-eminent international award in packaging. 2019 winners were announced in December 2018.

Glass7Box

Designed for premium glass brand Riedel, featuring a shock-absorbent structure.

Pick up tray

Fully recyclable tray and handle that can carry a 71% higher product load.

Side support

Insert which acts as corner support when transporting heavy content.

Leading market positions

- **#1** virgin containerboard producer in Europe
- **#1** containerboard producer in emerging Europe
- **#3** corrugated packaging producer in emerging Europe
- **#1** kraft paper producer globally
- **#1** industrial bags producer globally

Leading market positions

- **#3** consumer flexible packaging producer in Europe
- **#1** commercial release liner producer in Europe

Leading market positions

- **#1** uncoated fine paper supplier in Europe
- **#1** uncoated fine paper producer in South Africa

Packaging closing optimisation

Semi-automatic solution for closing the bottom of boxes, saving time and materials.

Recyclable waste separation system

Corrugated bins that can be disposed of along with the waste.

Pal-bridge pallet support system

Easy-to-fold system that fills the gaps in the top layer of pallets to support further stacking.

Yoghurt tray with tear tape

Corrugated tray with a unique integrated tear tape that makes it easy to divide if required.

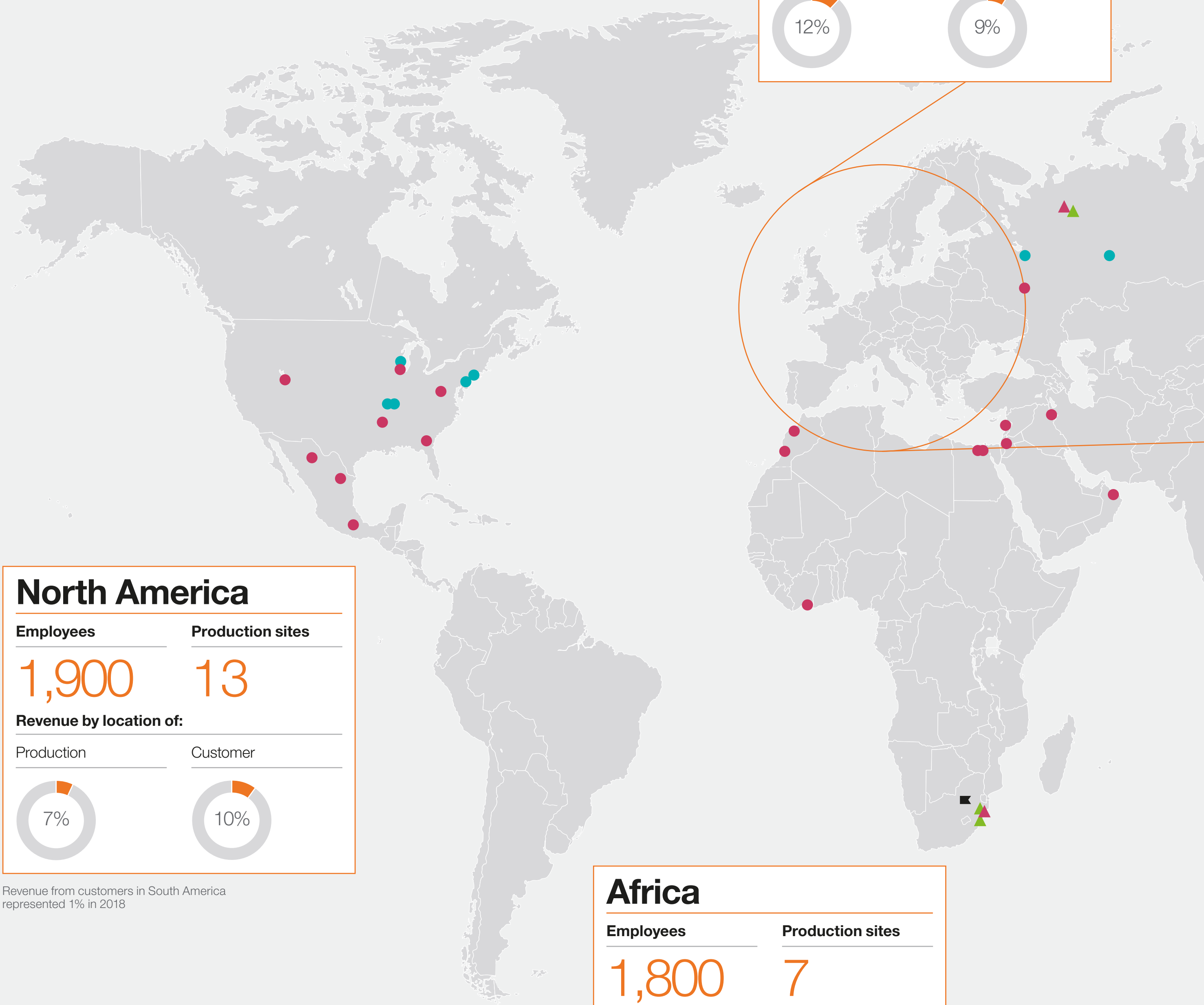
BarrierPack Recyclable

Highly functional, fully recyclable flexible plastic laminate for pre-made pouches.

Where we operate

Our global presence

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



Russia

Employees	Production sites
5,500	4

Revenue by location of:

Production	Customer
12%	9%

North America

Employees	Production sites
1,900	13

Revenue by location of:

Production	Customer
7%	10%

Revenue from customers in South America represented 1% in 2018

Africa

Employees	Production sites
1,800	7

Revenue by location of:

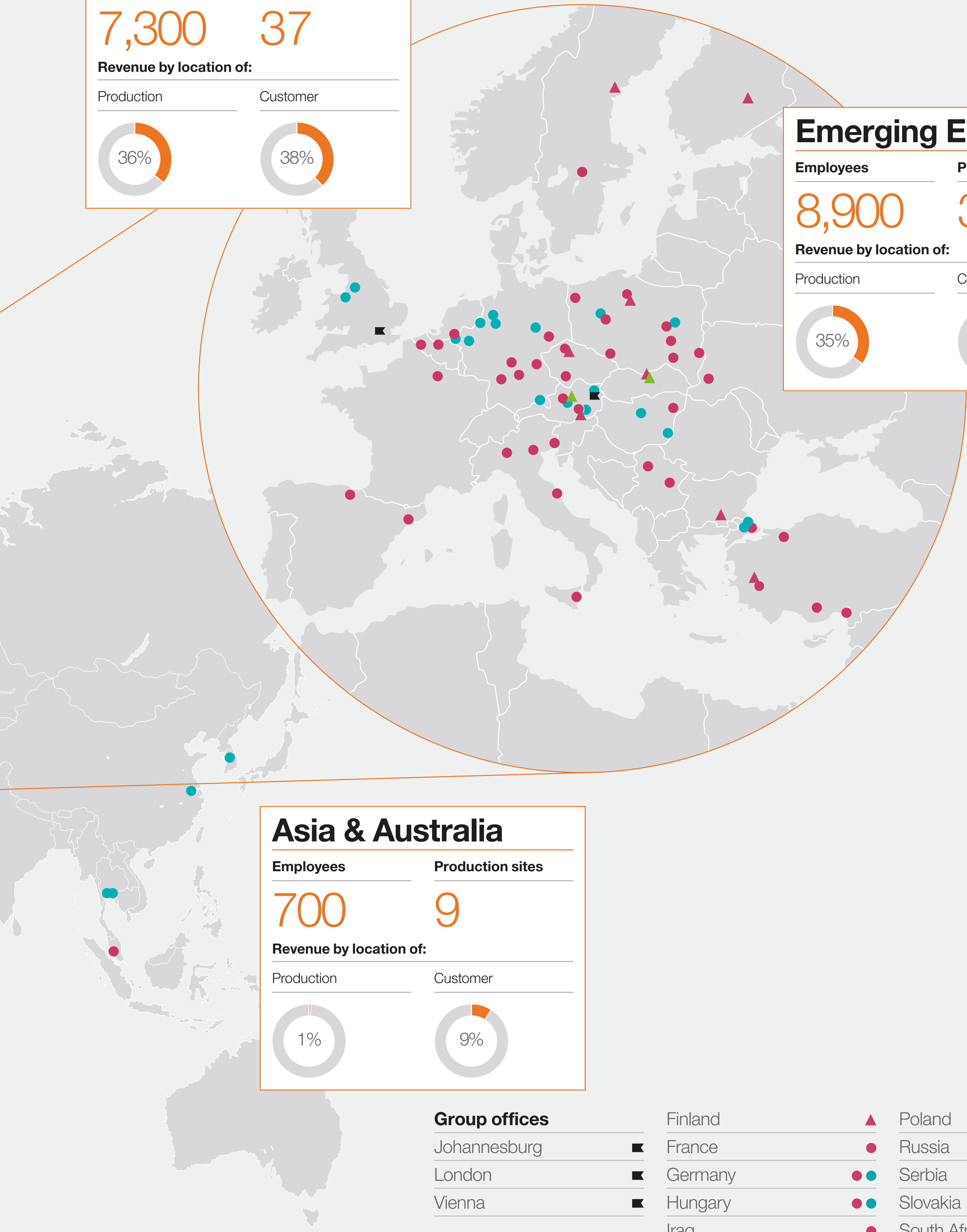
Production	Customer
9%	10%

Key

Fibre Packaging
- ▲ Paper mills
- ● Converting operations

● **Consumer Packaging**

▲ **Uncoated Fine Paper**



Western Europe

Employees	Production sites
7,300	37

Revenue by location of:

Production	Customer
36%	38%

Emerging Europe

Employees	Production sites
8,900	32

Revenue by location of:

Production	Customer
35%	23%

Asia & Australia

Employees	Production sites
700	9

Revenue by location of:

Production	Customer
1%	9%

Group offices

- Johannesburg
- London
- Vienna

Production sites

- Austria
- Belgium
- Bulgaria
- China
- Côte d'Ivoire
- Czech Republic
- Egypt
- Finland
- France
- Germany
- Hungary
- Iraq
- Italy
- Jordan
- Lebanon
- Malaysia
- Mexico
- Morocco
- Netherlands
- Oman
- Poland
- Russia
- Serbia
- Slovakia
- South Africa
- South Korea
- Spain
- Sweden
- Thailand
- Turkey
- Ukraine
- UK
- US

Joint Chair statement

A culture that delivers sustainable growth

The Mondi Way is our framework for creating sustainable value founded on our three core values of acting with integrity, being passionate about performance, and caring about the world and each other. Our vision, which Peter Oswald expands on in his Chief Executive Officer's letter, explains our future aspirations in line with our strategy.

Chief Executive Officer's letter
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Mondi Way
Page 18-19

We appreciate the trust our shareholders place in us to generate industry-leading returns, while contributing to society and minimising our impact on the environment. This includes supporting local communities; ensuring a safe, fair, diverse and inclusive working environment; and helping employees, customers and suppliers to realise their full potential.

Acting with integrity

The boards of Mondi Limited and Mondi plc support the highest standards of corporate governance with a focus on transparency, honesty and accountability. Our governance framework is designed to guide our behaviour in all areas of decision-making, keeping our culture and values at the forefront when we consider how best to achieve our strategy. By acting with integrity we can balance our passion for performance and our commitment to achieving long-term shareholder value with the diverse needs of all our stakeholders.

Our directors dedicate time to reviewing best-practice developments, assessing performance and optimising Mondi's approach. We regularly review our governance framework and practices to ensure they remain relevant, and we update policies and procedures as required.

We also consider the composition of the Boards and length of service of individual board members to ensure an appropriate balance of capabilities, business experience, independence and diversity. We are pleased to welcome Stephen Young to the Boards and as our new audit committee chair, he brings strong financial and general management experience, as well as an in-depth understanding of working for an international industrial business. We said goodbye to John Nicholas in May after almost nine years' service. We thank John for his significant contribution to Mondi during this time, not least as chair of the audit committee, and we wish him all the best for the future.

Governance
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Passion for performance

Mondi's strong track record of delivering value accretive growth is achieved by our relentless focus on performance across our talented and hard-working teams; a portfolio of cost-advantaged assets making a diverse range of high-quality products; and the integration of sustainability into all business decisions. By building on the Group's inherent strengths we can take advantage of opportunities while mitigating the impact of risks.

In June, a number of our board members attended Mondi's Leadership Forum, alongside senior leaders and Mondi Diamond Awards finalists. This provided us with an invaluable opportunity to see Mondi's leaders in action as participants shared ideas, discussed strategic priorities to ensure the Group's long-term success, and celebrated excellence in innovation through the Mondi Diamond Awards presentations. It gives us great confidence to know that Mondi's future lies in the hands of this highly professional and forward-thinking team.

Investing in the future is the key to creating long-term value.

David Williams Joint Chair (left)
Fred Phaswana Joint Chair (right)

Together we have set the performance bar high. Over the last five years, Mondi has delivered a compound annual growth in basic underlying earnings per share of 15%, with an industry leading return on capital employed averaging 20.2% over the same period. We remain confident in the Group's ability to deliver long-term value to shareholders.

2018 was another strong year for Mondi. Underlying EBITDA was up 19% to €1,764 million (underlying EBITDA margin of 23.6%), profit before tax was up 25% to €1,105 million, and return on capital employed was 23.6%. The boards of Mondi Limited and Mondi plc have recommended a final ordinary dividend of 54.55 euro cents per share (2017: 42.90 euro cents per share). Together with the interim ordinary dividend of 21.45 euro cents per share, this amounts to a total ordinary dividend for the year of 76.0 euro cents per share, an increase of 23% from 2017.

Financial performance
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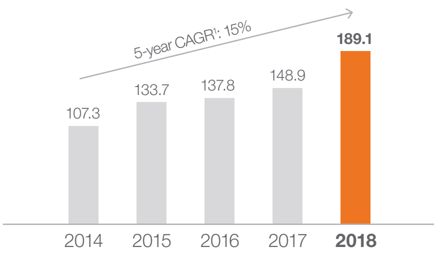
Underlying earnings per share
euro cents

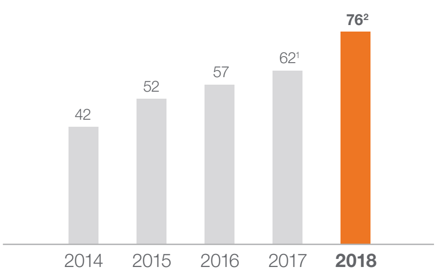
189.1 euro cents



1 Compound annual growth rate

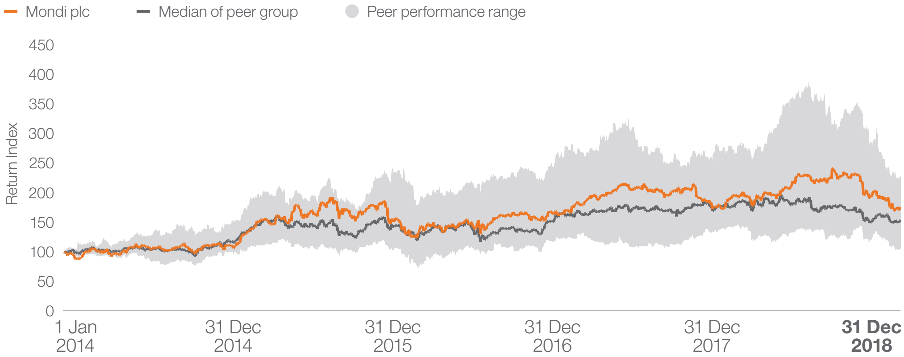
Total ordinary dividend per share
euro cents

76 euro cents



1 In addition to the 2017 ordinary dividend, a special dividend of 100 euro cents was paid in 2018
2 Based on proposed final ordinary dividend of 54.55 euro cents per share

Five-year total shareholder return (TSR) of 74%
(euro returns: indexed to 1 January 2014)



Caring about people

Safety remains our top priority and is a focus area at every Board meeting. We are therefore deeply saddened that two contractors lost their lives while carrying out work for Mondi, one in 2018 at Syktyvkar (Russia) and the second early in 2019 at Ružomberok (Slovakia). We also regret five life-altering injuries during the year. Our thoughts are with their families and colleagues. Importantly our teams have worked hard to understand the events leading to these incidents and how similar situations can be prevented in the future. We continue to strive for zero harm and promote behaviour that ensures everyone returns home safely to their families every day.

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

Investing in the future

Looking forward, we expect the macro environment to remain uncertain, but overall our industry fundamentals are robust. With a strong balance sheet and industry-leading margins, Mondi has the potential to sustain its successful track record. Our approach is to focus on areas where we have the ability to make a positive impact. This includes the investment and business decisions we make, how we interact with our stakeholders, and our commitment to creating value in a sustainable way.

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 and includes 16 public commitments to be achieved by 2020, along with a carbon emissions commitment that runs to 2030.

Sustainability performance
Page 48-63

Digitalisation is also a strong focus for Mondi. Our view is that by enhancing the way we use technology, we can ensure that our people have more time to focus on areas requiring uniquely human skills. Mondi has set out a digital roadmap and training is being ramped up to fast-track the digital expertise of our teams.

The Group has a strong major capital expenditure project pipeline. We successfully commissioned the modernisation of the Štětí mill (Czech Republic) towards the end of 2018, and continue to make good progress on major capital projects, including our innovative new containerboard machine at Ružomberok. During the Boards' visit to Świecie (Poland) we were impressed by the results of the €260 million capital investment programme completed in 2017. Mondi also completed the acquisition of Powerflute (Finland), as well as two industrial bag plants in Egypt, and we continue to evaluate further acquisition opportunities as they arise.

Strategic performance
Page 28-35

On behalf of the Boards we thank all who have contributed to Mondi's excellent performance in 2018, showing integrity, passion and commitment along the way. We have every reason to believe that with our dynamic yet respectful approach, and passion for sustainable growth we will continue to deliver industry-leading returns into the future.

Fred Phaswana
Joint Chair

David Williams
Joint Chair

Chief Executive Officer's letter

Contributing to a better world

2018 has been an exceptional year for Mondi on a number of levels, not least because we have delivered another strong set of results. However, it will also be remembered as the year the spotlight on plastics and the challenges thrown up by our disposable society came into focus – driven in part by a welcome surge in media and consumer interest. The reaction by government and business has been extensive.

The Mondi Way is our framework for creating sustainable value, with our culture and values guiding the way we work. It's important for our stakeholders to understand how Mondi is responding to the needs of our evolving global society and the role we choose to play in addressing the challenges. We have defined our vision for the future to:

- → Contribute to a better world
- → Be an employer of choice
- → Be the global industry benchmark in quality, customer service, innovation and productivity

These are big ideas.

Mondi Way
Page 18-19

Contributing to a better world

At Mondi, 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 this year.

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. By taking a holistic view, we can develop packaging that considers the needs of customers, their products and the planet.

The development of a circular economy, which is restorative and regenerative by design, requires deep collaboration. During 2018 we strengthened existing partnerships and built new ones, for example:

- → Through the Ellen MacArthur Foundation's New Plastics Economy Initiative we're working with partners from across the value chain as part of a Mondi-led pioneer project to innovate a new sustainable FMCG packaging solution that will prove the concept of design for recycling.
- → We continue to contribute as a member of the WBCSD's Forest Solutions Group and as WWF International's corporate partner in the paper and packaging industry.

In 2018 our Consumer Packaging and Fibre Packaging business units increased their collaborative efforts to fast-track the development of EcoSolutions with a focus on:

- → replacing plastic packaging with renewable fibre-based paper packaging, e.g. EcoVantage shopper bags and EcoComp food waste bags;
- → replacing rigid plastic packaging with flexible plastic packaging, typically reducing plastic consumption by 70%; and
- → optimising plastic packaging for recycling, e.g. BarrierPack Recyclable and the Frosch pouch – both 100% recyclable.

Business review: Consumer Packaging
Page 76-79

Another key focus area is our commitment to fighting climate change. Our aim is to reduce emissions, improve energy efficiency and replace fossil fuels with renewable biomass-based energy, where it is practical and economically feasible. We combine strategic energy-related investments across our pulp and paper mills with good management and sharing of best practice. For example, over the past 10 years Mondi has invested in five new highly efficient recovery boilers at Frantschach (Austria), Ružomberok (Slovakia), Štětí (Czech Republic), Świecie (Poland), and Syktyvkar (Russia), as well as biomass boilers at Syktyvkar and Świecie. As a group, we have reduced our specific CO_2e emissions by 38% since 2004 and 64% of Mondi's pulp and paper mills' fuel consumption came from renewable biomass-based sources in 2018.

Sustainability performance
Page 48-63

Being an employer of choice

Our primary responsibility as an employer of choice must be the safety of our employees. We have made significant progress in recent years in our goal to zero harm, but 2018 started tragically with the death of a contractor in Syktyvkar and the year saw five incidents leading to life-altering injuries. Unfortunately we suffered another fatality in January 2019 during drilling works at the construction site of our new paper machine in Ružomberok. Our deepest condolences have been extended to family members and colleagues.

There isn't a single solution to this, but zero harm remains our first priority and we have plans in place to address the challenge. We are proud of our passion for performance, and as CEO I am more determined than ever to make this a passion for safe performance.

Mondi's focus on key global industry trends in sustainability, digitalisation and empowering brands continues to drive value accretive growth.

Peter Oswald
Chief Executive Officer

Low unemployment in many of our core markets and changing aspirations of millennials means we have to be smart and responsive in attracting and retaining the talent we need to achieve our business ambitions. In 2018 we held our first global Diversity & Inclusion conference, from which we created targeted plans across Mondi. Gender diversity is important, but so are age, ethnicity and all other forms of diversity. We have made progress in broadening representation in some areas, but at the heart of our ambition is the creation of an environment where all voices are heard and new ideas rise quickly to the surface. At Mondi, we recognise that leading for innovation requires a different approach to leading for change, and we need the skills and agility to do both. I look forward to communicating our progress in 2019.

Leading with our hearts and minds, combined with clear strategic direction is the key to our ongoing success. So, in addition to our regular interactions, Mondi's senior leaders come together every few years for our Leadership Forum – in 2018 we met in the energetic city of Berlin. The goal was to align around the priorities for Mondi's growth journey – with inspiring leadership and employee engagement. It is where we launched our vision for the future, and celebrated excellence with the culmination of the Mondi Diamond Awards. Our 12 finalists presented their projects in person, showcasing the very best of Mondi out of a diverse and impressive range of 100 entries from across the world.

Business reviews
Page 68-83

Global industry benchmark – delivering excellence

We intend to set the standard for customer service, innovation, quality, and productivity. This means delivering excellence across all our work streams and there were many positive milestones in 2018. We have also seen strong progress on our capital expenditure projects, in particular the modernisation of our Štětí mill and our planned new kraft top white machine in Ružomberok.

We completed the acquisition of Powerflute in Finland and two industrial bag plants in Egypt. Over the past five years we have completed a limited number of smaller acquisitions as we struggled to meet sellers' expectations on valuation. Looking forward, with our strong financial position and depth of management resources, we are well placed to move should the right assets become available at reasonable values.

Mondi has a strong track record of operational performance and comprehensive programmes to eliminate costs. Going forward we believe that digitalisation will play an important role. We have been piloting projects that will accelerate our digital journey and identify the best way to harness technology: data science and advanced analytics will help us to improve productivity and lower costs, and be key to connecting better with our customers. Technology can make us efficient, but it's our employees that make us smart!

Strategic performance
Page 28-35

Driving future growth

I am confident that Mondi's focus on key global industry trends in sustainability, digitalisation and enhancing brand value will continue to drive growth. Geographically we remain well-placed for opportunities in Europe and North America, which account for around half the global packaging market. Our leading position in central and eastern European markets, as well as exposure to growing markets in Africa and Asia also provide strong opportunities for our continued growth.

While we cannot predict the impact of the current heightened geo-political and macro-economic uncertainties, our industry leading margins and strong cash generation, coupled with a strong balance sheet make us resilient and provide us with the strategic flexibility to exploit opportunities as and when they arise.

Our proposal to simplify our dual listed structure into a single holding company structure under Mondi plc will, subject to shareholder approval, simplify cash and dividend flows; enhance our strategic flexibility; increase transparency; and remove the complexity associated with the current structure.

With our robust business model and integrated value chain, strong cost management, and focus on partnering with our customers to deliver innovative and sustainable solutions, I am convinced we are well positioned for the future.

Overall 2018 was a year of strong progress for Mondi across all fronts. At the heart of this success is our people and it is to them that I extend my thanks, for their passion, their innovation and their commitment.

Peter Oswald
Chief Executive Officer

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The Strategic report was approved by the Boards on 27 February 2019 and is signed on their behalf by:

Peter Oswald
Chief Executive Officer

Andrew King
Chief Financial Officer

Contributing to a better world

We want to make our processes and products sustainable. This includes securing wood from responsible sources, minimising waste from our operations and working with customers to create EcoSolutions that are reusable, recyclable, and/or compostable.

71%
Wood certified to FSC or PEFC

Sustainability performance
Page 48-63

> As one of our strategic value drivers, growing responsibly is an integral part of our future success.

Gladys Naylor
Group Head of Sustainable Development

Mondi Świecie has reduced waste going to landfill from 100% in 2003 to only 1% today – everything else is recycled and/or reused.

Business review: Fibre Packaging
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External context

Opportunities and challenges in a rapidly changing world

We operate in a fast-paced world with diverse and complex issues impacting the planet, society and the way we do business. Our success is built on our ability to anticipate and respond to the challenges and opportunities we face today and in the future, partnering with others to find long-term solutions.

Mondi is well-positioned to proactively respond to three of the most relevant themes:

- → **Enhancing brand value**
- → **Digitalisation and interconnectivity**
- → **Sustainability**

Enhancing brand value

Overview and challenges

A rising middle class in emerging markets, an ageing population in the developed world, urbanisation and evolving lifestyles globally are changing the way brand owners engage with their customers. Whether through traditional retail and distribution or growing e-commerce channels, brand owners are under increased pressure to differentiate themselves from competitors. 2018 was a year in which bricks and mortar stores and e-commerce came closer together, as smart brands recognised the consumer's desire to interact with brands physically as well as virtually and increasingly to personalise their offer.

In this interconnected world, packaging has become the key link for the consumer across multiple senses – sight, touch, sound and smell. For our customers, great packaging embodies brand values and offers a consumer experience which stands out from the crowd.

On or offline, packaging is the first interaction the consumer has with a product, so it plays a critical role in the decision making process. We expect a lot from packaging. It needs to catch the eye, which for well-known brands means being immediately recognisable, and for challenger brands it means stealing attention away from the familiar. When the consumer first touches the packaging it needs to represent the brand's quality and value. In addition, it still has to protect the product through a 'frustration free packaging' journey from manufacture to consumption, whether it is fragile, awkwardly shaped, heavy or vulnerable.

Pre and post consumption, our consumers and customers expect our packaging to be sustainably disposable and made using minimum materials – renewable and recyclable wherever possible.

Opportunities and how we are responding

We continue to invest for growth to enhance our product and service offering and we are leading the industry in innovative design for EcoSolutions: paper where possible, plastic when useful. With our six specialised R&D centres and global reach, we develop partnerships with our customers to create innovative and appealing packaging designs that portray our customers' brand values and differentiate them either on the store shelf or when their customers receive the product at home.

Our range of shelf-ready packaging and point-of-sale display solutions help our customers reduce handling costs while enhancing shelf attractiveness with our high-quality and visually impactful print solutions.

Enhancing brand value also means designing packaging that prioritises functionality. For example, developing tailored solutions that make brands more useful by adding convenience features to ensure that the packaging is easy to use, easy to store and extends the product shelf-life. This can include hassle-free openings, reclosability features, multi-barriers and on-the-go solutions.

We also know how important it is for us to help our customers to stay competitive by simplifying their processes and reducing costs, while still creating packaging that exceeds customer expectations.

Spotlight on packaging for premium brands

Benetton shopping bags

Premium brands like Benetton can enhance their customers' experience with luxurious, natural and sustainable shopping bags made from Mondi's speciality kraft paper. Our 'shoppingworld' portfolio is built on consumer trend insights, branding expertise and paper grades that combine high functionality with outstanding printability. A shopping bag is more than a useful transportation vehicle. It is part of the brand experience. A superior product loses value in a shabby bag. If retailers get this right, consumers reuse their bag as an accessory and an expression of their lifestyle – and thus become valuable brand ambassadors.

Digitalisation and interconnectivity

Overview and challenges

Accelerating technological innovation brings new opportunities for Mondi as well as our customers. For Mondi, it means going beyond the automation of repetitive, mechanical tasks. We are training our employees to maximise the effectiveness of automation so they can focus on the roles that humans still do best – continuous improvement and innovation. Technology will make us effective, but it's our people who make us smart.

Technology also supports transparency. With widespread use of the internet, mobile technology and social media, society now has greater access to a much wider range of information and the ability to use their collective power to shape business and influence public policy. In the eyes of today's stakeholders, businesses are responsible for managing their impact not only within their own operations, but also across their increasingly complex supply chains including our customers' customers.

It is more important than ever that business improves transparency of global supply chains and new technologies can help address risks related to human rights and environmental impacts of supply chains.

For our customers, digitalisation has brought opportunities to reach new and existing consumers far beyond the boundaries of bricks and mortar. However, growing online retail activity requires efficient primary and secondary packaging solutions to protect and track goods in transit, while optimising packaging requirements and minimising waste. E-commerce is rapidly growing and transforming the retail landscape. With packaging for e-commerce expected to grow at an annual growth rate of 11% in Europe and 14% globally[1], it provides us with significant growth opportunities with the right packaging solutions.

Opportunities and how we are responding

The digital revolution is creating opportunities for us to scrutinise our production processes, supply chains, customer interfaces and employee engagement platforms to explore new ways of working to better achieve our purpose.

We have digitalisation projects underway across a number of business areas to enhance customer satisfaction, drive performance, optimise pricing and facilitate customer collaboration 24/7.

Operational efficiency initiatives include further improved production process stability and product quality, reduced waste and predictive maintenance.

Digitalisation enables a greater level of traceability within our supply chain with a focus on raw material sourcing, especially fibre. Across our supply chain, we promote transparency through active engagement with customers, consumers and the wider public about how we do business. Using digital technology we are able to standardise and strengthen our social and environmental practices through analysis, monitoring and in-depth reviews of activities within our supply chain. This enables us to address, manage and mitigate risks.

1 Smithers Pira, The Future of e-commerce packaging to 2022

Spotlight on e-commerce

Mondi Vino Box® Sprint

The digital era has transformed the way we consume goods. Mondi's strong portfolio of corrugated e-commerce solutions and MailerBAG, our paper-based e-commerce bag, are made from renewable materials and protect goods in transit, giving our customers the possibility to differentiate themselves by enhancing the consumer experience. We also optimise packaging sizes to avoid wasteful over packaging.

Speed of filling can also make a difference to a busy e-commerce business, so we developed Mondi Vino Box® Sprint for online wine merchants. It can safely ship up to six wine bottles and is 100% recyclable. There is no additional assembly needed, it simply pops up from a flat pack with an integrated divider, instantly ready to fill. The result is a saving of up to 80% in assembly time compared to standard wine packaging.

Sustainability

Demand for sustainable packaging and paper solutions is fortunately here to stay. Consumers around the globe are increasingly demanding packaging solutions that are sourced, produced and can be disposed of responsibly. The legitimacy of a compelling business model will be increasingly linked to the real value created for society as a whole. Products manufactured within the limits of the planet, and that enable society to address its challenges, make clear social, environmental and business sense, and open up opportunities for brand growth on a global scale. Below are the most important sustainability themes that we see affecting our business today and in future.

Overview and challenges

The cost of unnecessary plastic

2018 saw unprecedented awareness about the impact plastic has on our environment. Around 25% of total plastics produced worldwide are used for packaging, 95% of plastic packaging's material value is lost after a first (sometimes short) use, and at least 8 million tonnes of plastic leaks into the oceans every year[1].

Governments are introducing new legislation around single-use plastics and plastic waste and, with China (previously the world's largest importer of plastic waste in the world) no longer accepting imports of certain types of plastic as of 2017, western countries are needing to deal with their plastic differently, leading to even bolder targets and regulations. The EU Strategy for Plastics in the Circular Economy states that all plastic packaging should be reusable or recyclable by 2030.

As governments and consumers increase their demand for sustainable plastics, big fast moving consumer goods (FMCG) and retailer brands are coming under the most scrutiny for the plastic they use in their products and packaging. Many of our biggest customers have already communicated ambitious targets and they are going to be relying on us to provide them with innovative high-quality sustainable solutions from across our product portfolio.

Flexible plastic, which typically uses 70% less material than rigid plastic[2], and innovative plastic-paper combinations can provide essential functionality that is critical to fulfil the purpose of the packaging (for example preventing food waste).

Much more rapid climate change

Dramatic changes due to climate change are already occurring at a faster rate than expected. Climate change will worsen the outlook for the availability of critical resources such as food, water and energy. The severity of existing weather patterns is set to intensify in future, with wet areas getting even more wet, and dry and arid areas becoming more so[3]. In recent years, the extremely dry summers in Europe have led to water shortages that have impacted businesses including packaging and paper manufacturers.

The 2018 IPCC 'Special Report on Global Warming of 1.5°C' states that limiting global warming to 1.5°C would require rapid, far-reaching and unprecedented changes in all aspects of society, with clear benefits to people and natural ecosystems. Achieving this will require urgent and fundamental action, beyond business as usual. Businesses have a critical part to play – both in reducing emissions and providing solutions for mitigating and adapting to climate change.

The need for resource efficiency in a growing world

Industrial growth since the mid-20th century has created wealth, development and economic growth, but it has also endangered the crucial ecosystems that society relies on. The global population is growing at a rapid pace, especially in urban areas. We know that we use the equivalent of 1.7 planets to provide resources and absorb waste, and scientific evidence makes it clear that we are pushing our planet's natural systems to the edge[4]. Demand for food, water and energy is set to grow substantially by 2030 (food to rise by 35%, water by 40%, and energy by 50%)[3]. Tackling problems pertaining to one commodity will be linked to supply and demand for the others.

Economic development and production patterns are also shifting to the east and south, with overall trade volumes, disposable income and consumption rising. The US, European, and Japanese share of global income is projected to fall from 56% today to well under 50% by 2030[3]. 5.3 billion people are expected to make up the middle classes by 2030, up from 3.6 billion people today[5], with the middle classes in the developing world poised to expand substantially.

Urban centres are estimated to generate 80% of economic growth; the potential exists to apply modern technologies and infrastructure, promoting better use of scarce resources[3].

Access to sustainable fibre

Forests are core to the cultures and livelihoods of communities worldwide with some 1.6 billion people relying on them for their livelihoods[6]. Deforestation and illegal logging contribute to biodiversity loss and climate change, negatively impacting on ecosystem services, and encroaching on the livelihoods and human rights of people around the world. The last few decades have seen a slowdown in net global deforestation, and in Europe forests are not declining. More forest areas are coming under protection and more countries are actively improving forest management. Despite this, only around 11% of global forests are certified[7] and the shortage of sustainable fibre on the market remains a significant challenge.

Opportunities and how we are responding

We are convinced that growing responsibly and contributing to a better world is in the best interest of all our stakeholders and our continued success as a business. We're committed to continuing this journey and we constantly adjust our response to the evolving sustainable development landscape through the framework of our Growing Responsibly model, which explains how we approach sustainability to create value for our business and for our stakeholders. Among our 10 Action Areas are 'sustainable fibre', 'climate change', 'constrained resources and environmental impacts', and 'solutions that create value for our customers' – showing how we are responding to the themes set out above.

Sustainability performance
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1 Ellen MacArthur Foundation
2 Flexible Packaging Europe
3 National Intelligence Council: Global Trends 2030
4 Footprint Network and WWF Living Planet Report 2018
5 World Data Lab
6 WWF
7 UNECE: Forest Products Annual Market Review 2016-2017

EcoSolutions: paper where possible, plastic when useful

Mondi is actively leading the future of a sustainable packaging industry by showing that contributing to a better world makes good business sense, driving innovation and change throughout the value chain. We believe all packaging must be 'fit for purpose': paper where possible, plastic when useful. We offer a range of high-performance paper-based, flexible plastic and hybrid packaging solutions. By taking a holistic view, we can develop packaging that considers the needs of each customer, their products and the planet.

For many years Mondi has been making sustainable fibre-based and flexible plastic packaging for forward-thinking FMCG brands, and working in collaboration with sustainable materials suppliers and recyclers.

In the last decade, Mondi has reduced the average weight of corrugated boxes and paper bags, while increasing strength and functionality. Mondi continues to seek new sustainable product innovation across both its paper and plastics business areas. We are actively working with our customers, suppliers and recycling companies to find innovative solutions that improve the sustainability of packaging.

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. However, we recognise the urgent need to collaborate to make plastic packaging more circular and bring about the system change required in order to achieve this.

We are working with partners across our value chain to reinvent flexible plastic packaging so that it is fit for a circular economy. Mondi is 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.

We believe our flexible packaging solutions can contribute towards global sustainable plastics, based on circular economy principles.

Strategic performance
Page 28-35

Business reviews
Page 68-83

Spotlight on sustainable packaging by design

perFORMing – the #1 natural, brown formable paper solution

Newly patented Mondi perFORMing is a paper-based multilayer, thermoformable packaging material that reduces plastic by up to 70% by using coated Advantage Formable paper instead of plastic in trays for attractive cheese and cold meat packaging. This innovative solution, which is also recyclable in some countries, shows the unique benefits of being able to combine expertise from our Extrusion Coatings, Speciality Kraft Paper and Technical Films businesses.

Recycled washing powder packaging

Together with a recycling partner (APK AG) – who have developed a process called Newcycling® – Mondi has tested the suitability of recycled polyethylene (PE) for multi-layer films by designing a new plastic packaging solution for washing powder that replaces up to 80% of the previously virgin PE layer with post-industrial waste. The result is a high-quality packaging laminate that maintains the functionality requirements of our customer, reduces the demand for virgin fossil based PE and achieves a packaging solution containing up to 50% recycled materials.

Our business model

Creating value the Mondi Way

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

The Mondi Way is the foundation for our integrated value chain and it guides the strategic, operational and stakeholder-related decisions we make across our business.

Our integrated value chain
Page 20-21

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

Our vision sets out our long-term aspirations as we bring our purpose to life.

Our purpose

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

Our vision

→ To contribute to a better world
→ To be an employer of choice
→ To be the global industry benchmark for packaging and paper

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

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

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

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

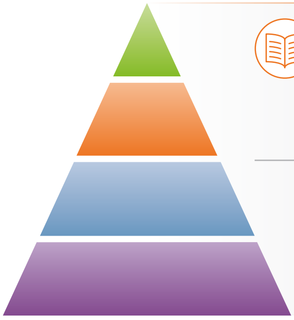
Our culture and values connect, guide and inspire our people.

- **Passion for performance** – We are dynamic, entrepreneurial and empowered
- **Caring** – We are respectful and responsible
- **Acting with integrity** – We encourage honesty and transparency

Our business model

Integrated across the value chain

Our integrated value chain provides us with competitive advantage and creates long-term value by converting raw materials into innovative and sustainable packaging and paper solutions, using the Mondi Way as our framework.



Mondi Way
Page 18-19

Our key relationships

It is vital that we engage with our key stakeholders across the value chain to maintain the mutually beneficial relationships that help us to create long-term value. Our stakeholders include:

→ Employees
→ Customers
→ Investors
→ Communities
→ Suppliers and contractors
→ Partners, associations, governments and regulators

Key relationships
Page 22-25

Managing our risks

Successfully managing our risks and appropriately setting our risk appetite is also critical to ensuring we continue to generate long-term value. We categorise our risks into strategic risks, financial risks, operational risks and compliance risks.

Principal risks
Page 38-47

Our key resources

High-quality, well-invested, cost-advantaged integrated assets

80%
pulp & paper capacity in two lowest cost quartiles

€6bn
capital employed

Engagement and collaboration with customers and suppliers

9,000
customers

1,500
key suppliers

Responsible procurement of raw materials and other inputs

71%
wood procured from FSC or PEFC certified sources

64%
mill fuel consumption from biomass-based renewable sources

Diverse and talented people

26,100
employees

21%
women employed across our operations

Strong financial position and cash flow generation

€1,226m
cash flow generated

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

Key stakeholder relationships

Numerous
strategic partnerships, memberships & collaborations

79%
of mills & forestry operations completed a SEAT assessment to date

Our integrated value chain

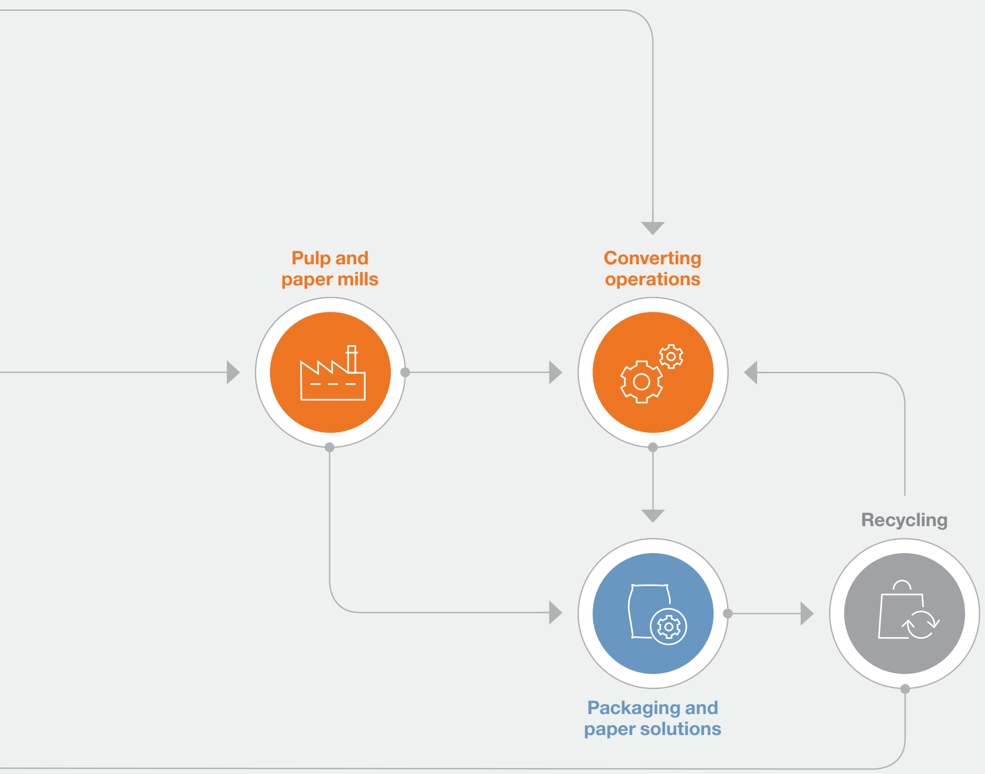
Forests and raw materials

Fibre is a key input in our pulp and paper production process, with wood sourced from our own sustainably managed forests as well as externally. In 2018, 71% of our procured wood was certified with the balance meeting our minimum Controlled Wood standard, which is in line with best practice certification scheme requirements. Throughout our manufacturing activities, we require access to natural resources (most notably water and energy) and raw materials (such as wood, paper for recycling, chemicals and polymers). We support an inclusive and sustainable supply chain promoting responsible procurement of raw materials.

Competitive advantages

→ Well located operations with access to cost-competitive fibre
→ Own fibre supply in Russia and South Africa (where we manage around 2.4 million hectares of 100% certified forests)
→ 100% electricity self-sufficiency resulting in lower energy costs, and 64% of mill fuel consumption from biomass-based renewable sources

Our integrated value chain
Page 68-69



Our key outputs

High-performing operations

23.6% ROCE

13 production records on pulp/paper machines

Innovative products and solutions

€22m spent on research & development

8 WorldStar Packaging awards (2019)

Sustainably managed natural resources and outputs

10mGJ energy provided to communities & public grid

100% managed forests certified

Inspired and skilled people

30+ average annual training hours per employee

89% participation in global employee survey

Capital appreciation and dividends to shareholders

23% increase in ordinary dividend per share

74% total shareholder return (5 years)

Support to regional economies and local communities

€248m direct taxes paid

€7.9m community investments

Pulp and paper mills

Our integrated pulp and paper mills produce pulp, packaging paper and uncoated fine paper. We produce slightly more pulp than we need in our paper production, and we sell the small surplus externally.

Our containerboard and kraft paper is used by our converting operations, with the remainder sold to other customers. Our range of uncoated fine paper includes office and professional printing paper.

Competitive advantages

- High-quality, well-invested, cost-advantaged asset base with around 80% of our pulp and paper capacity in the two lowest industry cost curve quartiles
- Vertically integrated asset base reducing our exposure to price volatility of key raw materials (particularly pulp), providing security of supply and enabling production and logistics optimisation
- Focus on excellence – superior operating performance achieved through continuous improvement initiatives and driving performance along the entire value chain

Converting operations

Our fibre-based packaging operations convert packaging papers (sourced internally and externally), together with other raw materials into corrugated board and boxes, industrial bags and speciality extrusion-coated solutions for a wide range of consumer and industrial end-uses.

We operate across the flexible packaging production process, from resin compounding to bag making, laser cutting and incorporating special features. Our packaging solutions protect and preserve food, pet food, personal care and other consumer products, extending shelf-life, reducing food waste and enhancing consumer experience.

Competitive advantages

- Unique position as a leading producer of both plastic and paper-based solutions, providing an ideal platform to meet our customers' sustainable packaging needs
- Leading market positions provide us the scale and ability to service key accounts by leveraging our plant network
- Integrated model, coupled with ongoing specialised R&D, enables us to develop partnerships with our customers to deliver innovative and customised solutions

Supporting a circular economy

Fibre is a renewable resource. Our mills use both virgin fibre and paper for recycling (recovered after use), to produce our containerboard products. Paper for recycling is an important and sustainable source of fibre. The recovery of fibre at the end of the product's life reduces waste and contributes to a circular economy.

Our flexible plastic packaging operations use resins, films and other raw materials as part of the production process. Mondi is working with stakeholders across the value chain to innovate and develop sustainable solutions that support a circular economy for flexible plastic packaging solutions. We have committed 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.

External context
Page 14-17

Our business model

Key relationships

Our employees

We have a diverse team of 26,100 people with a broad range of skills and expertise. In addition to on-the-job informal communication, we regularly engage with our employees through formal communication channels to provide an opportunity for open dialogue and we invest in training programmes to support their development.

It is through this collaborative effort that we resolve challenges together, enabling shared success through an engaged workforce and a performance-driven approach. We aim to achieve a consistent culture across our operations, with values that connect, guide and inspire our people, thereby providing a platform for our shared success.

Sustainability performance
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How we engage

→ Biennial group-wide employee surveys
→ Regular local briefing sessions by managers
→ Electronic communications and publications
→ Group-wide intranet (planetmondi)
→ Performance and development reviews
→ Internal conferences and leadership forums
→ Employee training programmes and workshops
→ Virtual leadership and employee meetings

Key topics discussed

→ Fair working conditions
→ Development opportunities
→ Safety

Our customers

As part of our strategy, partnering with customers for innovation is a key value driver for our joint success. Global trends are requiring us to collaborate with our customers more than ever.

We are uniquely positioned to offer our 9,000 customers a range of innovative and sustainable solutions that exceed their expectations and help them to meet their sustainability commitments. We also continue to strive for excellent customer service and quality, with a focus on digital acceleration initiatives.

Our customers know us as a partner in their success. We are problem solvers. By creating EcoSolutions across multiple industries, we are enhancing the value of some of the world's best known brands, as well as local favourites.

External context
Page 14-17
Strategic performance
Page 28-35

How we engage

→ Regular customer satisfaction surveys
→ Collaboration on product innovation
→ Customer events and exhibitions
→ Questionnaires
→ Key account manager relationships
→ Digital customer interfaces

Key topics discussed

→ Product innovation
→ Quality
→ Responsible sourcing

Spotlight on how we engage with customers to create innovative solutions

The inside scoop on why partnering with customers makes good business sense

Estimated retail sales of the global ice cream market is around US$74 billion[1], and just keeps growing. Europe accounts for 30% of the global ice cream market with consumption growth mainly driven by single portion ice cream[1]. Mondi Kalenobel (Turkey) is establishing itself as a packaging innovator in the ice cream world. The team recently took on a customer challenge that no one else dared to: producing a paper ice cream cone sleeve with a clear biodegradable plastic window that allows the consumer to see the sugar wafer cone. Family-owned sugar-cone maker Oexmann GmbH & Co. KG (Germany) approached Mondi to explore whether or not it could be done.

The ambition required deep innovation know-how in ice cream packaging to ensure that the window helped the brand to stand out, without compromising the sleeve's performance. "We were the only supplier to accept this challenge and the first commercial products hit the shelves in May 2018." says Sedat Igbar, European commercial manager at Mondi Kalenobel. "We worked step by step with Oexmann and developed and patented a cone sleeve that lets ice cream lovers see the goodness inside."

Oexmann began making ice cream cones back in 1926 and Thomas Oexmann, grandson of founder Karl Oexmann, says business is flourishing.

"We are currently producing almost five million ice cream cones every day and we export to virtually every country in Europe."

Mondi's special sleeves are being used to package premium cones together with Oexmann's customer Fonterra (New Zealand).

The oval clear window on the cone is made of biodegradable film to ensure it's a sustainable packaging solution. We also created a small transparent laser-cut window on the cone lid so that consumers can see the ice cream. Fonterra liked it, and we are now supplying custom-made lids in addition to the cone sleeves!

> We worked step by step with Oexmann and developed and patented a cone sleeve that lets ice cream lovers see the goodness inside.
>
> **Sedat Igbar**
> European commercial manager at Mondi Kalenobel

1 Euromonitor

Key relationships

Our investors

We actively and regularly engage with our investors and analysts, primarily relating to our financial performance, sustainability, governance, risk management and strategy. The feedback we receive informs our management and reporting practices.

Our relationship with debt investors and banks as key providers of capital to the Group, together with credit rating agencies, ensures we have access to funding for investment opportunities through the business cycle. We have solid investment grade credit ratings.

We are proud of our industry-leading performance, and we appreciate the trust our shareholders place in us to deliver value accretive growth in a sustainable way.

Strategic performance
Page 28-35
Financial performance
Page 64-67

How we engage

- → Annual General Meetings
- → Events including results presentations, trading update calls, site visits and capital markets days
- → Roadshows
- → Telephone calls and meetings
- → Integrated report and financial statements
- → Questionnaires and ad hoc questions and requests
- → Independent disclosure platforms for investors such as CDP
- → Investor perception studies

Key topics discussed

- → Strategy
- → Governance
- → Capital allocation

Our communities

We are a global company with diverse operations located across multiple jurisdictions. We play a key socio-economic role in the communities where we operate, creating employment and business opportunities in addition to paying local and regional taxes. In 2018, we paid €248 million in direct taxes.

Ongoing and transparent dialogue with local communities enables us to collaboratively address challenges, understand and manage risks, generate opportunities and improve performance. In 2018, we invested €7.9 million globally in the communities where we operate, supporting health, education, local enterprise and infrastructure.

Sustainability performance
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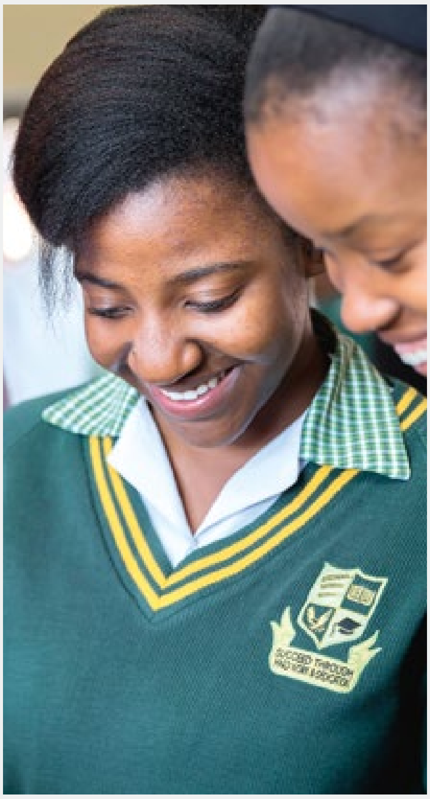
How we engage

- → Socio-economic Assessment Toolbox (SEAT) process
- → Community Engagement Plans (CEPs)
- → Open days and visits to our sites
- → Partnering with communities and other stakeholders on development initiatives

Key topics discussed

- → Employment and enterprise support
- → Community health
- → Local infrastructure investment



Our suppliers and contractors

In 2018 we procured €5.6 billion worth of goods and services from our suppliers. We follow a practical, risk-based approach when engaging with our 1,500 key suppliers and smaller, regional suppliers. We operate a central procurement function in a number of key spend categories and manage the remainder regionally or locally. We engage with our suppliers to develop solutions to the social and environmental challenges we all face across the value chain. We encourage supply chain transparency and promote fair working conditions together with our suppliers by developing a responsible, inclusive and sustainable supply chain.

We work closely with our contractors to mitigate risks, improve practices and ensure they follow Mondi protocols and practices in areas such as safety, transparency and business ethics.

Sustainability performance
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How we engage

→ Regular compliance assessments of key suppliers
→ Supplier collaborations and partnerships
→ Discussions on credible certification systems to secure long-term sustainable wood fibre suppliers
→ Ongoing focus on working together to improve safety performance

Key topics discussed

→ Local procurement and resource support
→ Safety
→ Sustainability along the supply chain

Partners, associations, governments and regulators

We believe in global partnerships and initiatives where together we can bring about meaningful change. Shared resources and best practice merged together provide an opportunity for multi-stakeholder collaborations to find sustainable solutions along the entire value chain.

We engage with national and local governments and regulators to share our intentions, understand their concerns and priorities, and find mutually beneficial solutions on important topics such as climate change, regulatory compliance and support for research programmes.

Sustainability performance
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Among others, we engage with:

→ WWF
→ Ellen MacArthur Foundation's New Plastics Economy Initiative
→ The Cambridge Institute for Sustainability Leadership (CISL)
→ The United Nations Global Compact (UNGC)
→ World Business Council for Sustainable Development (WBCSD)'s Forest Solutions Group
→ Confederation of European Paper Industries (CEPI)
→ Circular Economy for Flexible Packaging (CEFLEX) project

Key topics discussed

→ Climate change and circular economy
→ Regulatory compliance
→ Support for research programmes

Our strategy
Strategic framework

Our strategy is to deliver value accretive growth by focusing on our four strategic value drivers. This approach allows us to build on the competitive advantages we enjoy today, and sets a clear framework for our investment and operational decisions to continue to create value into the future. All strategic value drivers are important, with priority levels differing across the value chain.

Our disciplined approach to this strategic framework, while retaining flexibility on how we execute it, has positioned us as a leading global packaging and paper group with a strong platform for growth. We continue to expand our business, with an emphasis on assets and markets that offer us inherent advantages, and products that are core to our portfolio or bring related development opportunities.

We see greater potential for structural growth in the packaging sectors, where we plan to continue growing through value-enhancing capital investments and acquisitions that build on our competitive advantages and enable us to better serve our customers.

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

We focus on our four strategic value drivers to build on our inherent competitive advantages.

Peter Oswald
Chief Executive Officer

Drive performance along the value chain

Our passion for performance will always be central to the way we run our business – from our focus on commercial excellence and lean processes, to rigorous quality management and operational excellence programmes that enhance productivity and efficiency.

Our collaborative approach to benchmarking enables us to learn from our best performing operations and identify emerging issues to ensure performance is optimised throughout the organisation. We have continuous improvement systems and processes in place focused on enhancing productivity, increasing efficiency, reducing waste and ensuring our processes stay lean. When necessary, we take decisive action to restructure non-performing assets. We also focus on finding innovative ways of working and using digital technology to further enhance our performance.

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

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

Priorities going forward

- Commercial excellence programmes, digitalisation initiatives and quality management systems
- Continuous improvement initiatives to further enhance productivity, efficiency and reduce costs

Related risks and mitigation

1 3 8 9 10 15

Principal risks
Page 38-47

Invest in assets with cost advantage

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

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

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

Priorities going forward

- → On time and on budget execution of capital investment programme
- → Continue to evaluate value-enhancing organic and inorganic investment opportunities

Related risks and mitigation

1 4 9 10

Principal risks
Page 38-47

Inspire our people and grow responsibly

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.

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.

Our sustainability commitments are reflected across the 10 Action Areas of our Growing Responsibly model, including 16 commitments to 2020 (the climate commitment runs to 2030). We are already working on our approach post 2020 to build on our achievements, monitor and improve the way sustainability is embedded in our business, and enable our future success.

Our collaborative partnerships are key as we look to scale up our contribution beyond our own boundaries. It's only by working together that we will achieve the impact, innovation and scale necessary to bring about change.

Priorities going forward

- → Continued initiatives to engage our people, with special attention to diversity and inclusion initiatives
- → Continue to manage sustainability risks and opportunities, and develop post 2020 Growing Responsibly commitments

Related risks and mitigation

8 9 11 12 13 14

Principal risks
Page 38-47

Partner with customers for innovation

Working with our customers to create high-quality, innovative and sustainable solutions is key to our long-term success. In our upstream packaging and paper operations our focus is on producing lighter-weight packaging materials without compromising strength; enhancing the printing quality of our products; and achieving productivity and efficiency gains. Our converting operations focus on product innovation to help our customers find the most sustainable packaging for each product; protect and promote their products; and optimise longevity, freshness and convenience.

In our Fibre Packaging business, our backward integration provides us security of paper supply and enables us to carry developments in our upstream paper operations over to our converting plants. As a leading producer of plastic and fibre-based packaging, we are uniquely positioned to leverage our relationships and product know-how to offer our customers innovative and sustainable solutions, combining the best of our paper and flexible plastic packaging.

Getting innovation right is critical to meeting increasingly sophisticated and bespoke customer needs. Our R&D centres and innovation activities span the entire value chain. We also cooperate with external partners to maximise the potential of our R&D around designs, technologies, procedures, and markets to deliver products that enable our customers to succeed, while minimising the impact on society.

Priorities going forward

- → Strong focus on product innovation especially around sustainable paper and plastic-based packaging solutions
- → Further implementation and enhancement of digital CRM systems across our businesses

Related risks and mitigation

2 3 14

Principal risks
Page 38-47

Strategic performance

A strong track record of value accretive growth

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.

Our financial performance in 2018

Group revenue of €7,481 million was up 5%. 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.

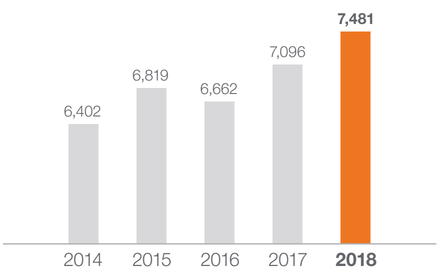
Underlying EBITDA was up 19% to €1,764 million. We benefited from good demand across our fibre packaging businesses, higher average selling prices and the contribution from our recent acquisitions. We are particularly pleased to report on a robust operating performance, delivering productivity gains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

Our return on capital employed (ROCE) was 23.6%. After taking into consideration the impact of depreciation and special items, operating profit of €1,192 million was up 23%.

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 (Czech Republic) 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.

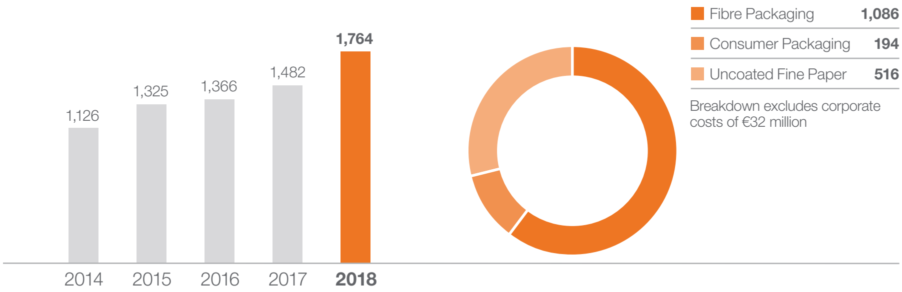
Group revenue
€ million

€7,481m

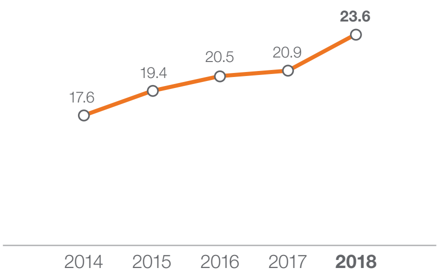


Group underlying EBITDA
€ million

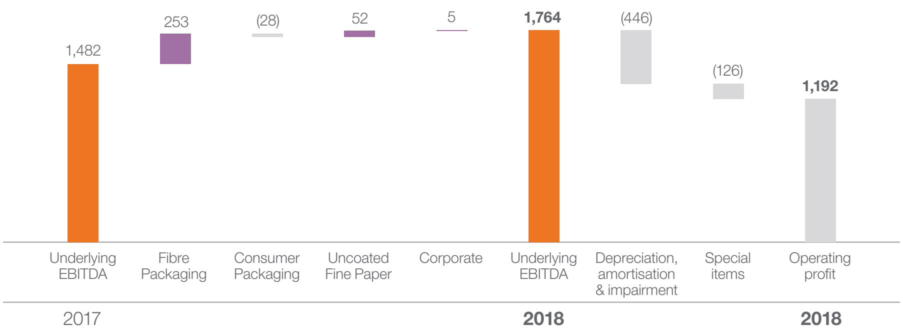
€1,764m ↑19% on 2017



Underlying EBITDA margin
%



Underlying EBITDA development by Business Unit
€ million



Investing in our cost-advantaged assets gives us a strong platform for growth.

Peter Oswald Chief Executive Officer (left)
Andrew King Chief Financial Officer (right)

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.

Basic underlying earnings of 189.1 euro cents per share were up 27% compared to 2017.

A special item net charge amounting to €126 million before tax was recognised (2017: €61 million) for restructuring and closure costs and related impairments. After taking the effect of special items into account, basic earnings of 170.1 euro cents per share were up 23% compared to 2017.

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.

Financial performance
Page 64-67

Delivering value accretive growth

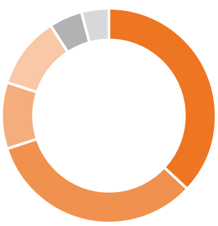
We made good progress on all our strategic value drivers in 2018, continuing to deliver value accretive growth and cost optimisation. Our position as a global packaging and paper group secures a solid foundation to grow, with our packaging interests offering exposure to good structural growth opportunities.

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.

While in recent years we have found greater opportunity for value-enhancing growth through organic capital investments, acquisition led growth remains important to our strategy and we continue to evaluate opportunities as they arise.

Strategic framework
Page 26-27

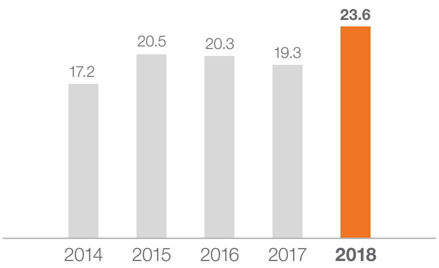
Net operating assets by location
%



Emerging Europe	37
Western Europe	33
Russia	10
South Africa	11
North America	5
Other	4

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

23.6%



Drive performance along the value chain

We continue to benefit from our ongoing operational excellence and cost control initiatives, driving productivity and efficiency as well as minimising waste. To further improve the reliability and technical integrity of our pulp and paper operations and reduce maintenance costs we continue to develop our asset management processes, including the implementation of specific training to enhance the skills and qualifications of our people across our mill network. We also established a programme to optimise the performance of our recovery boilers, which we expect will deliver energy savings, enable best-practice sharing and continue to improve the reliability of our operations.

To continue to optimise our production footprint and leverage our cost-advantaged locations, we undertook a number of restructuring initiatives during the year.

We announced the closure of two industrial bag plants in Europe, and one in Kentucky (US) and restructured our UK Consumer Packaging operations, including the closure of our plant in Scunthorpe. We stopped production of in-line silicone coated products at Štětí due to technical challenges and process complexity, and uncoated fine paper production at one of our machines at Merebank (South Africa) due to declining margins on unintegrated paper production following the rapid rise in hardwood pulp input costs. 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.

We believe digital solutions can help us drive performance to further enhance our competitiveness. We are piloting a number of digital projects across the Group, focused on applying advanced analytics in our processes to improve quality and pricing decisions as well as introducing new ways to share best practice across our machines and plants.

The power of people in a successful integration process

In June 2018 we acquired Powerflute, an integrated pulp and paper mill in Kuopio (Finland), supporting our strategy to invest in high-quality packaging and paper assets; enhancing our product portfolio; and increasing our exposure to the growing global food and consumer electronics packaging sectors. It also makes us the leading European virgin containerboard producer.

Successful acquisitions have been a key part of Mondi's growth over the years. We know how important it is to involve people right from the start so that they feel a connection to Mondi's culture and strategy, and understand how to contribute to business objectives. This helps to ensure a smooth transition with a focus on creating a safe and inspiring working environment while transferring knowledge, driving performance and prioritising our customers.

A structured integration process with clear responsibilities is essential to maximise potential. The Powerflute integration brought together a diverse team of around 70 people including local management and Mondi specialists in areas such as safety, supply chain, capex and operations, information technology, human resources, communication and marketing as well as procurement.

The team has been collaborating across 18 workstreams, with 6 already successfully completed by the end of 2018. And there are opportunities to keep learning from each other as we focus on benchmarking best practice, optimising operational excellence, and realising synergies.

Invest in assets with cost advantage

We have a focused capital expenditure project pipeline securing our future growth. 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. Key developments are outlined below.

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 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 bag applications. This will also allow us to optimise productivity and efficiency at Świecie (Poland), 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 (Russia) 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.

In recent years, we have invested significantly in the modernisation and growth of our Consumer Packaging business. While further capital investment opportunities in this business remain an option, we are currently focused on the optimisation of our existing operations including leveraging recently completed investments as well as completing current capital investment projects underway.

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.

Investing in Mondi Štětí to create social and economic value

Our Štětí mill has set its sights on an ambitious new vision: to cement its position as one of the leading speciality and sack kraft paper mills in the world by significantly expanding its production of top quality products, at the lowest costs in the market.

The €335 million modernisation project, commissioned as planned at the end of 2018, is fundamental to realising this ambition and facilitating future development.

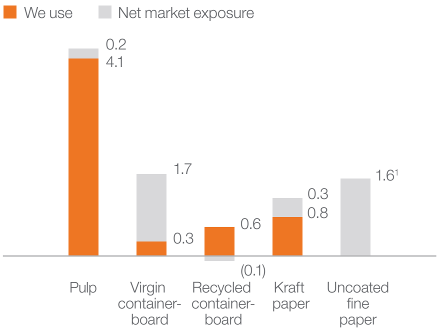
The project scope includes the rebuild of the fibre lines, debottlenecking the existing packaging paper machines, and a new recovery boiler.

The benefits of the project include:

- → Increasing softwood market pulp production by 90,000 tonnes per annum, and lowering per tonne pulp production costs
- → Debottlenecking the existing packaging paper machines to increase production by 55,000 tonnes per annum
- → Reducing the mill's environmental footprint
- → Increasing electricity self-sufficiency and lowering energy costs
- → Creating new jobs which will have a positive impact on the region's economic development

Engaging with the Štětí community has been and continues to be key, and we're seeing the benefits through improved local relationships and opportunities. Describing Mondi's Štětí mill as a 'shining example of a successful foreign investment', Bohuslav Sobotka, Prime Minister of the Czech Republic said, "This modernisation project demonstrates Mondi's long-term commitment to growth and sustainable business in the Czech Republic, and will deliver benefits to both the region and the national economy."

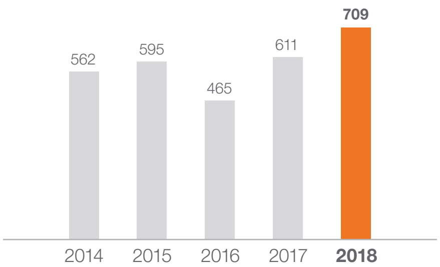
Vertical integration
production in million tonnes



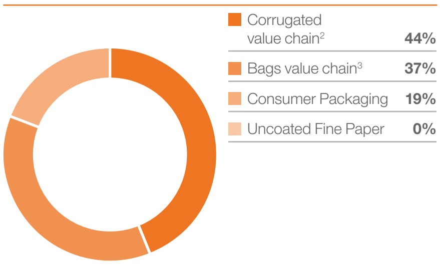
1 In addition to the 1.6mt of uncoated fine paper, the Group also produced 0.2mt of newsprint in 2018

Capital expenditure
€ million

€709m



Five-year net investment[1]
%



1 Net investment calculated as capex less depreciation and amortisation, plus acquisitions, less disposals
2 Corrugated value chain comprises Containerboard and Corrugated Packaging business segments
3 Bags value chain comprises Kraft Paper, Industrial Bags and Extrusion Coatings business segments

Inspire our people and grow responsibly

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.

When it comes to our safety performance, we have come a long way over the last 10 years. Open and honest discussions have seen a step change in the way we engage in, and take responsibility for safety. But while we are among the safety leaders in our industry, unsafe behaviour was a common factor in many of our incidents in 2018. We were deeply saddened by the fatality of a contractor at Syktyvkar in April 2018 during planned maintenance work 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.

Purpose, impact and scale: Making a real contribution to the UN SDGs

Stakeholder expectations of business taking an active and central role in tackling global development challenges have increased significantly.

At Mondi we believe that the primary contribution of any business to the SDGs is through job opportunities, taxes and social and economic development.

Beyond these however, we understand that making a real and lasting difference to the global development agenda can only be achieved by considering our impacts, targeting our response, collaborating with key players and stakeholders and scaling our efforts.

Impactful response

This thinking has seen us focus on SDGs 7, 8, 9, 12, 13 and 15. These are the areas where we have the greatest impact and are best positioned to contribute meaningfully.

Supporting youth-led solutions

In 2018, we partnered with One Young World on the Lead2030 initiative – a competition to find youth-led practical solutions to drive progress on the SDGs. We committed to funding a project where the winning candidate has the opportunity to turn their concept into a viable waste tackling solution.

Action at scale

The ambitions of the SDGs call for new types of partnership. This is why, as a member of WBCSD's Forest Solutions Group (FSG), we are working with other companies to develop a SDG sector roadmap. Set to launch in mid-2019 the roadmap aims to inform decision-making by describing the most impactful contributions the sector can make through process, product and partnership innovation.

Purposeful communication

Advancing our communication of the SDGs, this year we have introduced a comprehensive index that references SDG links throughout our online Sustainable development report, enhancing the accessibility, transparency and navigability of our disclosure. Integrating the SDGs into our reporting brings focus and perspective to our sustainability thinking and messaging, strengthens our social relevance as a business and helps us to set more meaningful future targets.

Online Sustainable development report
Page 29

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 TRCR of 0.68. This is in line with the previous year level (adjusted for acquisitions) and 11% lower than our 2015 baseline.

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.

Our most recent group-wide employee survey was carried out in February 2018. All Mondi employees were invited to take part, with the survey available in 24 languages. We are encouraged by the response rate of 89% (2015: 90%), reflecting the engagement of our employees in achieving a better, more inspiring workplace together.

Positive findings included employee empowerment in stopping unsafe behaviour, employees' perception of positive attitude among leadership, and the common characteristic of 'thinking ahead and acting quickly' in teams. Key actions in response to the findings include increasing focus on care and recognition for our employees, as well as continuing to strengthen our culture of people development.

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 (GHG) emissions and waste reduction. We are pleased our total specific CO_2e emissions (in tonnes per tonne of saleable production) have declined to 0.72, a 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.

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 GHG 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 GHG emissions using the science-based target setting methodology.

The environmental impact of flexible plastic packaging continues to gain attention, both externally and internally. We are working with partners across our value chain to reinvent flexible plastic packaging so that it is fit for a circular economy. Evidence shows that flexible plastic is often the most sustainable solution over the course of its life-cycle, if it is disposed of responsibly.

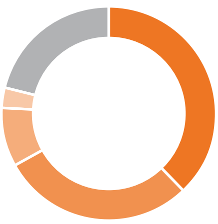
Mondi joined the Ellen MacArthur Foundation's New Plastics Economy Initiative in 2017, and in 2018 we pledged to increase investment in research and development, and drive deeper collaboration throughout our supply chain to move away from non-renewable and non-recyclable plastic. We are one of the first 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.

Sustainability performance
Page 48-63

Online Sustainable development report
www.mondigroup.com/sd18

Value distribution[1]
%

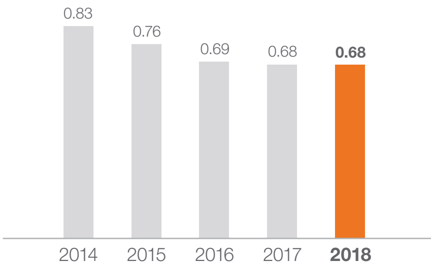
€2,773m



Employees	38
Providers of equity capital	29
Direct taxes paid	9
Providers of loan capital	3
Reinvested in the Group	21

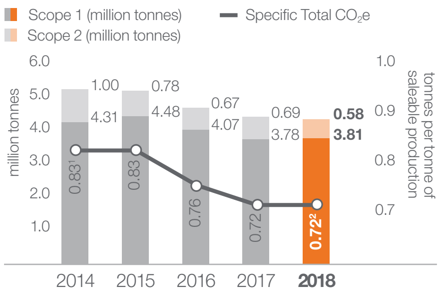
1 Value distribution defined as operating profit before taking into account personnel costs and depreciation, amortisation and impairments

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



1 2015–2017 restated to include acquisitions, and 2017 includes a confirmed fatality of a missing person in Syktyvkar
2 The total number of hours worked (employees and contractors) in 2018 was 77.6 million hours (2017: 75.3 million hours)
3 2018 excludes Powerflute and Egyptian industrial bag plants acquired in 2018

GHG emissions from our pulp and paper mills



1 The 2014 baseline of 0.844t/t excludes a divested mill
2 0.722t/t excludes Powerflute (acquired in 2018) but includes Pine Bluff until date of divestiture

Partner with customers for innovation

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. We believe all packaging must be 'fit for purpose': paper where possible, plastic when useful. During the year we focused on strengthening our portfolio of EcoSolutions: high-performance paper-based, flexible plastic and hybrid packaging solutions.

Mondi won eight 2019 WorldStar awards, more than any other packaging company worldwide, consolidating our position as a truly innovative force in the industry. BarrierPack Recyclable has also been shortlisted as one of three finalists for the special Sustainability Award (winner to be announced in May 2019).

In April 2018, we hosted 'Let's paper the world', the first European shopping bag summit bringing together leading converters, suppliers and customers to collaboratively address the fast growing needs for sustainable paper-based shopping bag solutions and to showcase our 'shoppingworld by Mondi' product range.

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.

One of the most significant developments in 2018 was the momentum gained in the way we are working with customers to develop innovative and sustainable flexible plastic packaging. The New Plastics Economy Initiative has rallied businesses and governments behind a positive vision of a circular economy for plastics. It has brought together 290 signatories, including many leading companies, who have also committed to working towards 100% reusable, recyclable, or compostable plastic packaging by 2025.

Business review: Consumer Packaging
Page 76-79

During the year we spent €22 million on R&D across our businesses to develop innovative products for our customers. By leveraging our specialised R&D capabilities and partnering with our customers, we are able to provide cutting-edge solutions that meet our customers' evolving needs.

We continue to evolve our customer interaction and partnerships using digital solutions. During 2018, we updated and enhanced our digital technical sales service platform further supporting our containerboard customers and connected all targeted uncoated fine paper customers to our myMondi platform. These 24/7 on-line systems support our customers by providing product and order information thereby increasing efficiency through the sales process. We continue to explore digital platforms that further connect us to our customers.

Collaborating with big brands to meet their ambitious sustainable packaging targets

Top FMCGs, retailers and other big brands are under scrutiny for the plastic used in their products and packaging. Many of our biggest customers have already communicated ambitious targets and they are going to be relying on us to provide them with innovative high-quality sustainable solutions from across our range of high-performance paper-based, flexible plastic and hybrid packaging solutions.

In terms of plastic packaging, evidence shows that flexible plastic is often the most sustainable solution over the course of its life-cycle, if it is disposed of responsibly.

So we are working with partners across our value chain to reinvent flexible plastic packaging so that it is fit for a sustainable economy.

A good example is our WorldStar award winning BarrierPack Recyclable. We launched this fully-recyclable plastic laminate in 2018 and it has already been validated for existing industrial recycling streams. It was developed in direct response to customer needs for packaging that reduces plastic waste without compromising on quality or functionality.

Ton Emans, Managing Director at CeDo Recycling & President of Plastics Recyclers Europe, said: "The European Commission announced a strategy in January 2018 to ensure that all plastic packaging is recyclable by 2030. This innovation shows that flexible plastic packaging can become truly circular."

We are well positioned to support our customers on their path to a circular economy by finding the most sustainable packaging solution for each application – paper where possible, plastic when useful.

Strategic financial priorities and returns to shareholders

We manage our cost of capital by maintaining an appropriate capital structure with a balance between equity and net debt. The primary sources of our debt include our €2.5 billion Guaranteed Euro Medium Term Note Programme and our €750 million Syndicated Revolving Credit Facility. The Group's liquidity position remains robust. At the end of the year, €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.

Our free cash flow priorities remain unchanged. We are focused on maintaining solid investment grade credit metrics, undertaking selective organic capital investment opportunities and supporting the ordinary dividend. To the extent we have capacity beyond these requirements, we are able to consider acquisitions and/or additional shareholder distributions.

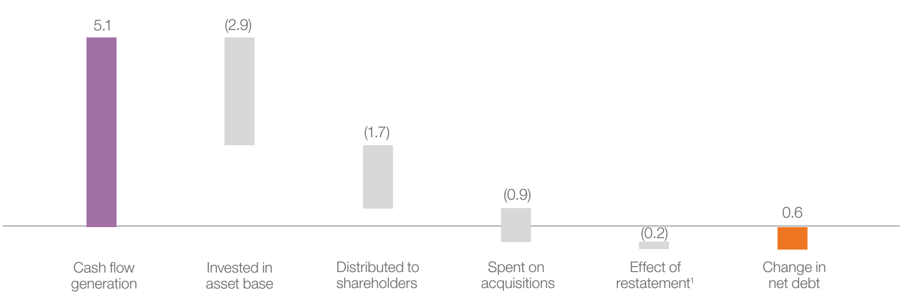
We believe that a strong and stable financial position, supported by an investment grade credit rating, increases our flexibility and provides opportunities to access capital markets throughout the business cycle, allowing us to take advantage of strategic opportunities when they arise.

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

We target an ordinary dividend cover range of two to three times underlying earnings on average over the cycle, although the payout ratio in each year will vary in accordance with the business cycle.

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.

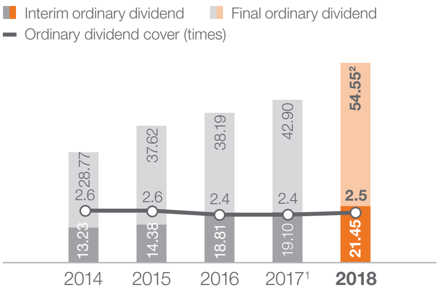
Five-year cumulative cash flow
€ billion



1 Net debt prior to 2017 does not include the effect of IFRS 16

Total ordinary dividends per share
euro cents

76 euro cents



1 In addition to the 2017 ordinary dividend, a special dividend of 100 euro cents was paid in 2018
2 Proposed

Strategic risk management

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

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

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

Principal risks
Page 38-47

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. A shareholder circular, scheme document and prospectus is expected to be made available to shareholders at the end of the first quarter in accordance with the Annual General Meetings timetable. Implementation is currently expected in the second half of 2019.

Near-term 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.

Peter Oswald
Chief Executive Officer

Andrew King
Chief Financial Officer

Key performance indicators

Tracking our performance

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

Key Performance Indicators (KPIs)

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

→ Our strategic KPIs measure our success in creating value accretive growth for our shareholders

→ Sustainable development KPIs track our progress against our Growing Responsibly commitments

→ Financial KPIs provide comparable measures of our operating and cash generating performance

Aligning KPIs to remuneration

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

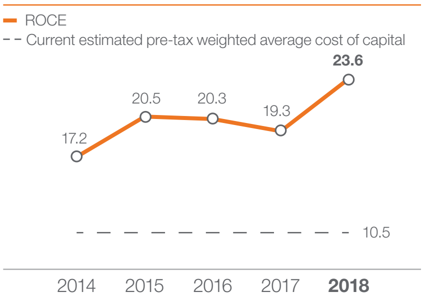
Remuneration report
Page 122-141

Strategic

Strategic performance
Page 28-35

Return on capital employed (ROCE)

% (12-month trailing)



Why this is a KPI

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

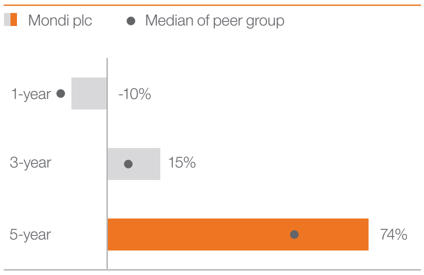
We compare ROCE to our current estimated Group pre-tax weighted average cost of capital to measure the value we create.

2018 performance

ROCE of 23.6% reflects an industry-leading performance.

Total shareholder return (TSR)[1]

%



1 Based on 31 December value

Why this is a KPI

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

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

2018 performance

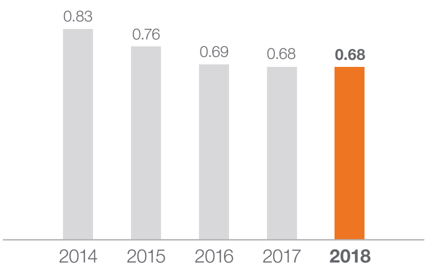
Mondi realised a five-year TSR of 74% and recommended a total ordinary dividend of 76.0 euro cents per share. In addition to the 2017 ordinary dividend, a special dividend of 100.0 euro cents per share was paid in 2018.

Sustainable development

Sustainability performance
Page 48-63

Online Sustainable development report
www.mondigroup.com/sd18

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

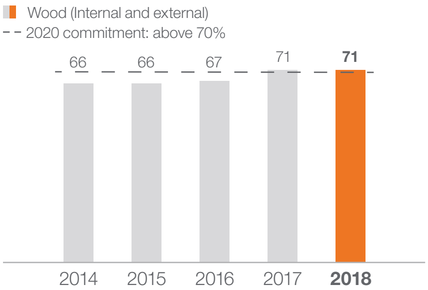


1 2015–2017 restated to include acquisitions, and 2017 includes a confirmed fatality of a missing person in Syktyvkar
2 The total number of hours worked (employees and contractors) in 2018 was 77.6 million hours (2017: 75.3 million hours)
3 2018 excludes Powerflute and Egyptian industrial bag plants acquired in 2018

Why this is a KPI
The safety and health of all our employees and contractors is of paramount importance, and we need to create a culture where people instinctively act safely. Our goal is a zero harm workplace.

2018 performance
While our overall TRCR has improved by 11% against the 2015 baseline, we were deeply saddened by the fatality and life-altering injuries during the year.

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

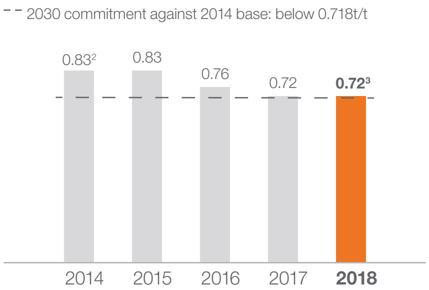


1 2018 excludes Powerflute (acquired in 2018)

Why this is a KPI
Securing sustainable fibre for our integrated pulp and paper mills is critical to their long-term success. We are committed to maintaining 100% FSC-certified forests and procuring at least 70% of wood from FSC- or PEFC-certified sources by 2020.

2018 performance
100% of our managed forests remained FSC-certified, and 71% of the wood we procured was FSC-or PEFC-certified, on track with our 2020 commitment.

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



1 From our pulp and paper mills
2 The 2014 baseline of 0.844t/t excludes a divested mill
3 0.722t/t excludes Powerflute (acquired in 2018) but includes Pine Bluff until date of divestiture

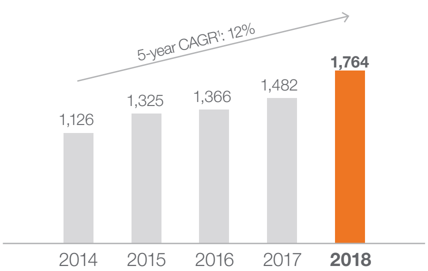
Why this is a KPI
We have continually focused on making our business less carbon intensive to address climate impacts. We are committed to a 15% reduction in specific CO_2e emissions by 2030 against our 2014 baseline.

2018 performance
To date, we have reduced our specific CO_2e emissions by 14.5%, on track for our 2030 commitment. We have adopted a new science-based target for production-related CO_2 emissions intensity to 2050.

Financial

Financial performance
Page 64-67

Underlying EBITDA
€ million

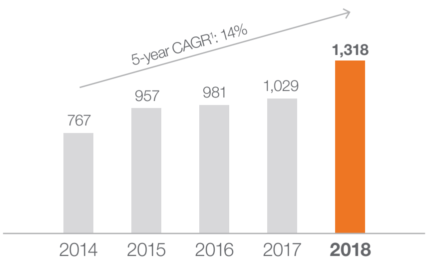


1 Compound annual growth rate

Why this is a KPI
Underlying EBITDA provides a measure of the cash generating ability of the Group that is comparable from year to year.

2018 performance
Underlying EBITDA of €1,764 million represents a 19% year-on-year increase, with a 5-year CAGR of 12%.

Underlying operating profit
€ million

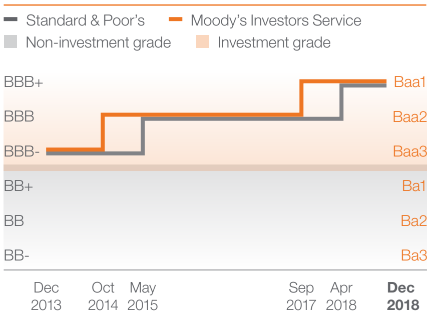


1 Compound annual growth rate

Why this is a KPI
Underlying operating profit provides a measure of the operating performance of the Group that is comparable from year to year.

2018 performance
28% year-on-year increase in underlying operating profit to €1,318 million, with a 5-year CAGR of 14%.

Investment grade credit rating



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

2018 performance
Standard & Poor's upgraded the Group's credit rating to BBB+ (stable outlook), while Moody's Investors Service maintained their Baa1 (stable outlook) credit rating.

Principal risks

Our proactive approach to risk management

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

Our risk management framework and internal control environment

Boards
- Overall responsibility for the Group's strategy and risk management
- Determine risk appetite in line with Group strategy, and approve the Group's risk management framework
- Approve the annual budget and three-year plan

Sustainable development committee
- Monitors and reviews material safety, health, environment and other sustainable development risks

Audit committee
- Reviews and monitors the adequacy and effectiveness of the Group's internal control and risk management processes
- Ongoing review of the principal risks through the course of the year
- Approves the annual internal audit plan

Executive committee
- Formulates risk management policies in terms of the approved risk management framework to ensure risks are managed within accepted tolerance levels
- Assesses and monitors risks on an ongoing basis

Business units
- Responsible for identification of emerging risks and for implementation of risk management policies and procedures

Group functions
- Responsible for providing oversight, and management of certain specialised risk areas that benefit from central coordination
- Work closely with the business units to manage and monitor these risk areas

External audit
- External assurance is provided through external audit which is designed to detect material errors and material irregularities that impact the financial statements

Internal audit
- The Group has a centrally coordinated internal audit function, which makes use of local competency, and reports directly to the audit committee

The three levels of assurance in our internal control environment

Operational management
- Key policies and procedures covering all main areas of business conduct are approved by the Boards and each business unit is required to adhere to these overall Group policies.
- Management is responsible for regularly reviewing its entity's operating and financial performance and for preparing and reviewing monthly management accounts and business reports including safety, health, environmental and other material sustainability matters for the reporting period.
- Twice a year, all financial managers are required to complete an internal control assessment and provide written confirmation of compliance with Group policies and procedures. This formal confirmation highlights any control weaknesses or deficiencies identified.

Management review and assurance
- Management is responsible for regularly reviewing the Group's operating and financial performance, including monthly management accounts, the progress of significant capital investment projects and plans, safety, health, environmental and other sustainability matters.
- Management at Group level and, in more depth, at business unit level is responsible for a detailed assessment of current market conditions.
- The Group functions (information technology, Group and business unit controlling, sustainable development, safety and health, treasury and tax) each have board-approved policies in place against which conduct is regularly assessed.

Independent assurance
- Internal and external audit.
- Speakout provides a confidential hotline for reporting irregularities. Follow up is coordinated by internal audit and reported to the Boards and audit committee.
- The Group is registered with, and subject to, regular audits by a number of standard setting authorities, such as ISO.
- The Group is subject to regular review and vetting by external regulatory bodies as well as non-regulatory parties, including annual insurance assessments, sustainable development data assurance, and information security programmes.

Risk management is by its nature a dynamic and ongoing process. Our well-defined approach is flexible to ensure that it remains relevant at all levels of the business, and dynamic to ensure we can be responsive to changing business conditions. This is particularly important given the diversity of the Group's locations, markets and production processes.

In combination with the audit committee, the Boards have conducted a robust assessment of the principal risks to which Mondi is exposed and they are satisfied that the Group has effective systems and controls in place to manage its principal risks within the risk tolerance levels established.

The details of the review and the risk management framework and processes on which the Group's risk review is based are set out in this section. This report addresses the Group's principal risks.

Our risk management framework

The Boards have overall responsibility for setting the Group's strategy and they are responsible for monitoring and maintaining the effectiveness of the Group's risk management activities and internal control processes. The Boards have put in place procedures for identifying, evaluating, and managing the risks faced by the Group.

The Boards have determined the Group's risk appetite, using a risk rating matrix which takes into consideration both the likelihood and the magnitude of the impact in the event that the risk event occurs. The risk rating matrix is based on the residual risk that the Group faces after taking into consideration the internal control environment and other mitigating factors. The Boards have also established specific risk tolerance levels for each category of risk. The Boards consider changes in current principal risks and review emerging risks during the year.

The audit committee performs an annual review of the risk management policy and plan, including consideration of acceptable risk tolerance levels for the Group. Each of the Group's principal risks is reviewed in detail by the audit committee through the course of the year, considering the detailed risk description, the controls and mitigating actions in place and the resultant residual risk exposure. As in prior years, in 2019 the committee will continue to focus on the principal risks to the Group and the actions taken to mitigate these risks.

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

Our internal control environment

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

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

The Group's organisational structure is regularly reviewed and where circumstances dictate, changes to the organisational structure are recommended to the executive committee or Boards to ensure it remains relevant.

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

Management is responsible for regularly reviewing the Group's financial performance and it is the responsibility of management at all operational levels to ensure that risks are appropriately managed and a proper control environment is in place to anticipate and respond to risks. The Group's reporting cycle includes the monthly flash and management reports, a quarterly outlook, and the annual budget and three-year plan. Detailed monthly management reports and variance analyses comparing actual with planned results are prepared. These regular reviews are designed to ensure ongoing monitoring of financial performance and early identification of potential issues and/or emerging risks.

Principal risks

Our principal risks

Over the course of the past year, the audit committee has reviewed the principal risks set out below. In evaluating the Group's risk management and internal control processes, the committee has considered both internal and external audit reports and received confirmation from the finance directors of the business units that financial control frameworks have operated satisfactorily. The sustainable development risks are considered throughout our business and consolidated into the principal risks where relevant. These risks have been reviewed by the sustainable development committee during the year.

Key changes in the year

The majority of the Group's most significant risks are long-term in nature and in general do not change significantly in the short-term. The Group's principal risks are unchanged from prior year. During the risk review process the assessment of the principal risks was updated to reflect the developments in our strategic priorities. In addition, during the year, further analyses were performed to understand the risks and implications around climate change and the UK's exit from the European Union.

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

Strategic risks

Risk tolerance:
High

Key person responsible:
Peter Oswald (Chief Executive Officer)

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

While there have been no significant changes in our strategic risk 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.

1 Industry productive capacity

Potential impact

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

Monitoring, mitigation, and where relevant, independent assurance activities

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.

2 Product substitution

Potential impact

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.

Monitoring, mitigation, and where relevant, independent assurance activities

Our ability to meet changes in consumer demand depends on our capacity to correctly anticipate change and develop new products on a sustainable, competitive and cost-effective basis. Opportunities also exist for us to take market share from substitutes produced by our competitors. Our focus is on products enjoying positive substitution dynamics and growing regional markets.

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.

3 Fluctuations and variability in selling prices or gross margins

Potential impact

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.

Monitoring, mitigation, and where relevant, independent assurance activities

Our strategic focus is on higher growth markets and products where we enjoy a competitive advantage through innovation, proximity or production cost. We continue to invest in our high-quality, cost-advantaged asset base to ensure we maintain our competitive cost position. 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.

4 Country risk

Potential impact

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.

Monitoring, mitigation, and where relevant, independent assurance activities

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

Risk tolerance:
Medium to Low

Key person responsible:
Andrew King (Chief Financial Officer)

Our approach to financial risk management is set out in more detail in the Strategic performance and Financial performance sections. We aim to maintain an appropriate capital structure and to conservatively manage our financial risk exposures in compliance with all laws and regulations.

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

5 Capital structure

Potential impact

A strong and stable financial position increases our flexibility and provides us with the ability to take advantage of strategic opportunities as they arise.

Our ability to raise debt and/or equity financing is significantly influenced by general economic conditions, developments in credit markets, equity market volatility, and our credit rating.

Failure to obtain financing at reasonable rates could prevent us from realising our strategy and have a negative impact on our competitive position.

Monitoring, mitigation, and where relevant, independent assurance activities

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.

6 Currency risk

Potential impact

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.

Monitoring, mitigation, and where relevant, independent assurance activities

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.

7 Tax risk

Potential impact

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.

Monitoring, mitigation, and where relevant, independent assurance activities

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

Risk tolerance:
Low

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

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

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

8 Cost and availability of raw materials

Potential impact

Access to sustainable sources of raw materials is essential to our operations. 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.

Monitoring, mitigation, and where relevant, independent assurance activities

We are committed to acquiring our raw materials from sustainable, responsible sources and avoiding the use of any controversial or illegal supply. We are involved in multi-stakeholder processes to address challenges in meeting the global demand for sustainable, responsible fibre and we encourage legislation supporting the local collection of recycled materials.

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.

9 Energy security and related input costs

Potential impact

Mondi is a significant consumer of electricity which is generated internally and purchased from external suppliers.

Where we do not generate electricity from biomass and by-products of our production processes, we are dependent on external suppliers for raw materials such as gas, oil and coal. 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.

Monitoring, mitigation, and where relevant, independent assurance activities

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.

Operational risks

10 Technical integrity of our operating assets

Potential impact

We have five major mills which account for approximately 75% of our total pulp and paper production capacity, and a significant consumer packaging manufacturing facility in Germany.

If operations at any of these key facilities are interrupted for any significant length of time, it could have a material adverse effect on our financial position or performance.

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.

Monitoring, mitigation, and where relevant, independent assurance activities

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

We 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.

11 Employee and contractor safety

Potential impact

We operate large facilities, often in remote locations. Accidents/incidents cause injury to our employees or contractors, property damage, lost production time, and/or harm to our reputation.

Risks include fatalities, serious injuries, occupational diseases, and substance and drug abuse.

Monitoring, mitigation, and where relevant, independent assurance activities

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.

12 Attraction and retention of key skills and talent

Potential impact

Our success is driven by our people. Key to our long-term success is attracting, retaining, recruiting and developing a skilled and committed workforce.

Access to the right skills, particularly management and technical skills, is critical to support the performance and growth of our business. Operations in remote locations make attracting and retaining skilled employees challenging.

Losing skills or failing to attract new talent to our business has the potential to undermine our ability to drive performance and deliver on our strategic objectives.

Monitoring, mitigation, and where relevant, independent assurance activities

Our culture and values play a key role in empowering and inspiring our people. These are highlighted by various Inspire Programmes and collaboration initiatives throughout our operations. We have a zero tolerance policy towards discrimination and we provide equal opportunities for all employees.

To attract skills and talent we are investing in employer branding; we 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° 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.

13 Environmental impact

Potential 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.

Monitoring, mitigation, and where relevant, independent assurance activities

We ensure that we are complying with all applicable environmental, health and safety requirements where we operate. Our own policies and procedures, at or above local policy requirements, are embedded in all our operations and are supported through the use of externally accredited environmental management systems.

We focus on a clean production philosophy to address the impact from emissions, discharge, and waste. We 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.

Reporting on climate-related risks and opportunities

There is a growing demand from investor and regulatory communities for improved financial disclosures from companies in relation to climate-related risks and opportunities. In meeting this need the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosure (TCFD) published a report in 2017 outlining recommendations for more effective climate-related disclosure standards. Although Mondi's online Sustainable development report and CDP disclosure make us largely compliant with the TCFD recommendations, this year we have focused on closing the gap by starting to quantify the financial implications of these potential risks and opportunities.

For Mondi, climate-related risks (e.g. extreme weather patterns, water shortages, floods, or other natural disasters) could give rise to business interruptions in our operations or in our supply chain and make our forests more vulnerable to pests and diseases.

Moreover, as countries explore options to transition to low carbon economies in order to achieve international commitments to respond to the risk of climate change, laws and regulations are being implemented to enforce both mitigation and adaptation measures to deal with and reverse effects of climate change.

Potential financial implications include a significant reduction in EU Emission Trading Scheme (EU ETS) allowances, which we estimate could have an impact of around €5 million per annum[1] and therefore not significant in the context of the Group. We have also identified potential opportunities such as improved energy efficiency and reduced water consumption and continue to make progress on quantifying all of these and assessing impacts through scenario testing.

We are committed to improving the integration of climate-related risks in our overall business risk assessment process using our dedicated cross-functional team and will continue to consult with external experts and other corporates to improve our understanding.

Online Sustainable development report
Page 69-70

1 The regulation is expected to come into force in 2021. Calculated assuming an average price of €35/t CO_2

Compliance risks

Risk tolerance:
Low

Key person responsible:
Andrew King (Chief Financial Officer)

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

14 Reputational risk

Potential impact

Non-compliance with the legal and governance requirements and globally established responsible business conduct in any of the jurisdictions in which we operate and within our supply chain could expose us to significant risk if not actively managed. Failure to successfully manage relationships with our stakeholders could disrupt our operations and adversely impact the Group's reputation.

These requirements include laws relating to the environment, exports, price controls, taxation, competition compliance, 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.

Monitoring, mitigation, and where relevant, independent assurance activities

We operate a comprehensive training and compliance programme, supported by self-certification and reporting, with personal sanction for failure to comply with Group policies.

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.

15 Information technology risk

Potential impact

Many of our operations are dependent on the availability of IT services and an extended interruption of such services may result in 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.

Monitoring, mitigation, and where relevant, independent assurance activities

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.

Viability statement

As part of the approval of this Integrated report, the Boards have assessed the Group's prospects and viability.

Factors in assessing long-term prospects

The Group's business model and strategic framework are described in detail on pages 18 to 27. Our strategy is to deliver value accretive growth by focusing on our four strategic value drivers. Our industry-leading asset portfolio and our focus on performance is supported by our strong capital expenditure project pipeline and where relevant by acquisitions to build on our competitive advantages and to better serve our customers. Our current and future prospects are discussed in more detail in our Chief Executive Officer's letter and Strategic performance review.

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

Assessment of viability

The Boards believe that the three-years to December 2021 is an appropriate period over which a reasonable expectation of the Group's longer-term viability can be evaluated. In coming to this view, the Boards have considered the inherent volatility in commodity prices and exchange rates, the time taken for new investments in pulp and paper production capacity to be introduced into the market, typical new product development cycles, and the Group's capital structure. Given the strategic risks described, the Boards believe that the ability to assess the Group's longer-term viability beyond this period becomes increasingly reduced. The Boards have considered the Group's current financial position, strategy and plans for the next three years, marking the end of the Group's formal planning horizon.

The Group's budget and plan has been tested for severe but plausible downside scenarios linked to the Group's principal risks. The purpose of this is to test the impact of events that have the ability to threaten the viability of the Group, but are hypothetical in the sense that multiple control measures and mitigation actions are in place to prevent such events from occurring. In an event that a scenario partly or fully takes place, the Group has various options available to maintain liquidity and continue operations.

The scenarios tested include lower packaging and uncoated fine paper prices and weaker demand for a long period of time. Given the Group's geographical spread the potential impact of exchange rate fluctuations has also been evaluated, including a weaker US dollar/euro exchange rate and stronger emerging market currencies. Based on the results of these scenarios, the Boards are satisfied that the Group would be able to respond to such circumstances through various means which could include a reduction of capital expenditure and further rationalisation and/or restructuring, to ensure that the Group can continue to meet its ongoing obligations.

The Group meets its funding requirements from a variety of sources as more fully described in the financial statements. The Boards are satisfied that the Group will have sufficient liquidity to meet its needs over the planning horizon. The scenario testing is carried out against Mondi's current debt facilities, with an assumption that the Group's €500 million Eurobond maturing in September 2020 is successfully refinanced and the €750 million Syndicated Revolving Credit Facility is refinanced ahead of maturing in July 2021. In the scenarios evaluated, the Group remains within its key financial covenant ratio in terms of which its net debt to trailing 12-month underlying EBITDA ratio must not exceed 3.5 times.

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

Going concern

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

The Group's financial position, cash flows, liquidity position, and borrowing facilities are described in the annual financial statements. At 31 December 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 Integrated report and financial statements 2018.

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Sustainability performance

Growing responsibly

Our Growing Responsibly model remains the framework through which we respond to our sustainability challenges and opportunities, and provides a solid structure for our future success. As one of the Group's strategic value drivers, it shapes our long-term response to sustainability challenges and enables us to demonstrate, monitor and improve our performance across the value chain.

The model covers 10 Action Areas, which 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.

Contributing to the UN Sustainable Development Goals (SDGs)

It is a responsibility of business to participate in the delivery of the UN SDGs, so this year, in addition to highlighting the strongest links between our Action Areas and respective SDG targets, we have included a comprehensive index that references SDG links in our SD report. Our main reporting focus continues to be on the six priority SDGs where we believe we have the greatest impact and therefore the greatest opportunity to make a real and lasting difference:

7 Affordable & clean energy
8 Decent work & economic growth
9 Industry, innovation & infrastructure
12 Responsible consumption & production
13 Climate action
15 Life on land

Materiality

Our material issues articulate what matters most to our business and our stakeholders along the value chain. This year, we carried out a new assessment of our material issues to understand their relative importance to our stakeholders, and identify new and emerging issues. The updated list will inform our commitments beyond 2020. Our materiality assessment combined qualitative and quantitative inputs from internal and external stakeholders, meeting GRI guidance and best-practice standards.

Online Sustainable development report 2018
www.mondigroup.com/sd18

Solutions that create value for our customers

UN SDGs: 9 Industry, innovation and infrastructure; 12 Responsible consumption and production

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

Read more
Page 62-63

Relationships with communities

UN SDGs: 8 Decent work and economic growth; 9 Industry, innovation and infrastructure

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

Read more
Page 61-62

Supplier conduct and responsible procurement

UN SDGs: 8 Decent work and economic growth

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

Read more
Page 60-61

Biodiversity and ecosystems

UN SDGs: 8 Decent work and economic growth; 12 Responsible consumption and production; 15 Life on land

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

Read more
Page 59-60

Constrained resources and environmental impacts

UN SDGs: 8 Decent work and economic growth; 9 Industry, innovation and infrastructure; 12 Responsible consumption and production

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

Read more
Page 58-59

Employee and contractor safety

UN SDGs

8 DECENT WORK AND ECONOMIC GROWTH

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

Read more
Page 51-52

A skilled and committed workforce

UN SDGs

8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

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

Read more
Page 52-53

Fairness and diversity in the workplace

UN SDGs

8 DECENT WORK AND ECONOMIC GROWTH

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

Read more
Page 53-54

Sustainable fibre

UN SDGs

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
15 LIFE ON LAND

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

Read more
Page 55-56

Climate change

UN SDGs

7 AFFORDABLE AND CLEAN ENERGY
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
13 CLIMATE ACTION

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

Read more
Page 56-57

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

Dominique Reiniche
Chair of the DLC sustainable development committee

Online Sustainable development report 2018
www.mondigroup.com/sd18

Growing responsibly: Our approach

Robust governance is fundamental to building a resilient and successful organisation in which sustainability is embedded at all levels.

Sustainability governance

Our Boards and committees provide the necessary leadership to implement the principles of good corporate governance across the Group, ensuring decisions and interactions with all stakeholders are based on integrity, accountability, fairness and transparency. Comprehensive policies, standards and management systems help us meet our commitments and guide our practice, linked to our material issues and aligned with our Growing Responsibly model, to address the risks and opportunities facing us.

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

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

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

Our policies include some of our longer-term sustainability commitments and inform the setting of targets and commitments for each new period. Operating standards define the minimum requirements for good operational management and control across all policy areas and provide guidance on the implementation of the Sustainable Development Management System (SDMS) at Group, business unit and operational levels.

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

In 2018, we commenced a comprehensive review of our operating standards, the second tier of our SDMS, which set minimum requirements for Mondi operations to comply with group policies. Draft operating standards and their supporting practice notes are currently being developed.

Online Sustainable development report
Page 36

Non-financial information statement

In accordance with sections 414CA and 414CB of the UK Companies Act 2006, the required non-financial information disclosures can be found integrated throughout the Strategic report.
A summary of key areas of disclosure is set out below:

Business model	Page 18 to 25
Information relating to environmental matters	Page 55 to 60
Information relating to employees	Page 51 to 54
Information relating to social matters	Page 61 to 62
Information relating to respect for human rights	Page 54
Information relating to anti-corruption and anti-bribery matters	Page 63
Principal risks	Page 38 to 47
Non-financial key performance indicators	Page 37, 48 to 63, and 70 to 83

External recognition

Our sustainability performance has been disclosed in or received recognition by a number of external corporate ratings and indices, including:

WE SUPPORT UN Global Compact
→ Advanced Reporter

The CEO Water Mandate
→ Joined 2015

FTSE4Good
→ Member of the FTSE4Good Index Series
→ FTSE/JSE Responsible Investment Index: Top 30

CDP
→ Leadership for Climate Change disclosure
→ B List for Forests and Water Security disclosures

ecoact
→ Ranked sixth FTSE 100 company

Ethibel
→ Member of the ESI Excellence Europe

Euronext Vigeo Eiris
→ UK 20
→ Europe 120
→ World 120

EcoVadis
→ GOLD recognition level
→ Top 1% of all suppliers

MSCI
→ ESG Rating AA

Growing responsibly: Our progress in 2018

Performance worse than or the same as the base year; measures in place to be back on track[1]

Achievement of the commitment behind target

Achievement of the commitment on track

Employee and contractor safety

Our commitments to 2020	2018 performance in brief	Status[1]
Avoid work-related employee and contractor fatalities	One fatality	Red
Prevent life-altering employee and contractor injuries	Five life-altering injuries	Red
Reduce TRCR by 5% compared to 2015 baseline, including new acquisitions	0.68 TRCR 11% reduction against 2015	Yellow

When it comes to our safety performance, we've come a long way over the last 10 years. Open and honest discussions have seen a step change in the way we engage in and take responsibility for safety. But while we're among the safety leaders in our industry, unsafe behaviour was a common factor in many of our incidents in 2018. Ultimately, if we want to achieve our zero harm ambition, then we need to create a culture where people instinctively act safely in everything they do, every day.

We had 262 recordable cases in our operations in 2018 (2017: 255[2]). This equates to a total recordable case rate (TRCR) of 0.68 (2017: 0.68[2]). This represents an 11% improvement compared to our 2015 baseline of 0.76 (adjusted to include acquisitions). We saw one newly compensated occupational disease case in 2018 at our Richards Bay mill (South Africa).

We were deeply saddened by a fatality in April 2018 when a contractor lost his life at our Syktyvkar operation (Russia) during maintenance of a conveyor in the woodyard. Regretfully we also experienced a contractor fatality at our Ružomberok mill (Slovakia) in January 2019, during drilling activities on site. Five life-altering injuries occurred during the year, details of which can be found in the Business reviews.

Business reviews
Page 68-83

In all instances, we carry out investigations to understand the events and behaviour involved, and to identify how we might prevent such incidents in the future.

Embedding a 24-hour safety mindset

We introduced a 24-hour safety mindset approach in 2017, where safety is seen as something we do for ourselves, our families, our colleagues and their families.

In 2018, we launched a poster campaign showing employees with their children in situations related to our potential life-altering and fatal risk tasks. We also created a hard-hitting safety communication programme to address injuries relating to moving and rotating equipment, and we are exploring a group-wide focus on conscious and sub-conscious safety behaviour.

We continued to provide training to first-line managers to enable them to manage the safety and health of their teams. 1,315 (2017: 1,125) people have now attended the three-day first-line managers training programme. We also developed the next module of our training programme for safety and health professionals, to be completed by 2020.

Risk-based approach

We take a risk-based approach to managing safety and health. Risk assessments are an important tool for identifying hazards and putting necessary control measures in place. Every operation continues to identify their top risks and develop management plans to engineer them out of the business. Where the latter is not feasible, robust controls and procedures are introduced to reduce and manage the risks.

In 2013 we introduced our Top 5 Fatal Risks approach to address the top risks in all our operations. In 2018, we commenced the third phase of work to identify the next set of top risks and actions to address them. Our Task Risk Management Methodology provides a practical, easy-to-understand approach to conducting pre-task risk assessments, assessing probability and severity of any incident and guiding action plans based on a hierarchy of controls to address the risks. The approach aims to firstly prevent incidents and then, if they do occur, to reduce their severity.

1 For fatalities and life-altering injuries we compare our performance to our goal of zero harm

2 2017 recordable cases and TRCR have been restated to include a missing person confirmed deceased in 2017, and acquisitions completed in 2016 and 2017

Growing responsibly: Our progress in 2018

This requires operations to consider the top three risk controls – elimination, substitution and engineering – before looking at administrative controls or issuing personal protective equipment.

Employees are engaged during the risk assessment processes and assessments are revised at predefined frequencies and when required as a result of incidents. Our new Permit to Work methodology was rolled out at all operations in 2018.

Measuring progress: lead, current and lag indicators

In addition to conventional safety performance metrics, which focus on incidents and total recordable case rate (TRCR) – known as 'lag indicators' – we use 'current' and 'lead' indicators, which allow us to monitor proactive efforts and improvements aimed at preventing incidents. Performance against current and lead indicators form part of our senior managers' bonus scheme, with targets assigned to each indicator as part of the annual performance and development review (PDR) process. In 2018, we carried out 106,290 (2017: 106,840) safety audits including management risk-focused audits; firstline manager task audits; Safety, Health and Environment (SHE) professional focus audits; and peer observations, against a target of 77,673.

Health and wellbeing

We promote awareness of diseases such as HIV/AIDS, diabetes and tuberculosis by encouraging testing, counselling and treatment. We also offer health and wellbeing facilities and wellness programmes at many locations. In 2018, 3,465 employees and contractors (2017: 3,530) participated in the HIV/AIDS voluntary programme in our South African operations, with 1,156 opting for testing (2017: 3,307). In addition, 12 employees (2017: 40) and 1,087 contractors (2017: 485) benefited from the Antiretroviral Therapy programme. A further 28 employees tested joined the programme at the start of 2019.

Online Sustainable development report
Page 46

2

A skilled and committed workforce

Our commitment to 2020	2018 performance in brief	Status
Engage with our people to create a better workplace	89% response rate in 2018 employee survey, with actions undertaken in response to findings	●

With around 26,100 employees across more than 30 countries, we aim to be an employer of choice, inspiring and empowering our global workforce to deliver our strategy. Engaging and developing our people to reach their full potential and providing inspiring opportunities for their personal and professional development ensures our business continues to grow and succeed.

Employee engagement

'Inspire' is our programme for engaging people to live Mondi's three core values – passion for performance, acting with integrity and caring. Launched in 2011, 'Inspire' guides our approach to training and development, operational transparency, and the way we engage and motivate our employees.

We use both formal and informal processes to communicate and engage with employees, together with regular PDRs conducted at a local level. In addition to our global intranet platform, regular local sessions focus on safety, operational objectives, performance and the Group's vision, strategy, values and culture.

There are a number of performance-related pay schemes that reward employees for the pursuit and achievement of business objectives, and the majority of our employees participate.

Our group-wide employee survey provides important feedback from employees on specific issues and tracks our progress. Our latest survey was carried out in February 2018 by a third party to ensure 100% confidentiality. All Mondi employees[3] were invited to take part, with the survey covering over 100 operations in 24 languages.

The response rate was 89% (2015: 90%) with results highlighting the following areas as key strengths:

- → Employees feel comfortable to stop others from working unsafely
- → Management enforce safe behaviour in the workplace
- → Expectations of employees are clear
- → Thinking ahead and acting quickly in teams is common
- → Employees perceive a positive attitude among leadership

3 Employees as of 1 December 2017 with a minimum of 2-months' contract and excluding those on leave, and external contractors

Areas considered as opportunities for improvement include:

- → Teams receiving high quality support from other teams with which they work
- → The belief that quality is everyone's responsibility
- → Management doing what they say
- → Employees feeling cared for by the company
- → Action taken on issues raised in the previous survey

Survey results were shared across the Group to enable the development of targeted action plans with a focus on care and recognition, and fostering a learning culture through strong people development.

Between our global employee surveys, we also conduct pulse checks at our larger mills to track progress. Following the 2015 survey we carried our pulse checks at three mills in 2017, and further checks are planned in 2019.

Transparency, assessment and feedback

Annual PDRs are an important tool for employees and their managers to reflect on the past year's performance and set goals for employees' immediate and long-term development.

360° feedback is another important tool for people to understand their behaviours and areas for improvement. Senior leaders and line managers receive 360° feedback every three years and new leaders receive 360° feedback around six to eight months after appointment.

Having expanded the opportunity to receive such feedback, 531 employees received feedback focused on SHE topics and 604 received a standard 360° feedback (2017: 358).

We also introduced the digital FlexiFeedback tool, through which managers and employees can select questions and receive feedback in a quick and flexible way.

Training and development

By enhancing the skills of our people, we encourage them to realise their potential while meeting our business needs. Personal development and training also enables our employees to be accountable for upholding our business conduct standards, principles and policies. Our employee induction includes training related to the business and its strategic value drivers, including products and our approach to sustainable development. Specific training schemes are designed to empower and support diversity, particularly gender diversity. Employees in sales and marketing roles – and those in positions that have, or may have, contact with competitors – complete annual competition compliance training (completed by 2,865 in 2018, 2017: 514).

In 2018, we devoted around 819,200 hours of employee and contractor time to training and development (2017: 829,900 hours).

This does not include informal and on-the-job training, where much of our employee learning happens.

Some 40% of this training was dedicated to safety and health issues (2017: 37%). In addition to 267,028 hours of general safety training (2017: 247,965), we conducted 59,995 hours of critical safety training (2017: 58,594).

The Mondi Academy

The Mondi Academy International is our global training facility, which provides core business-related training programmes for leaders, line managers and employees. Along with group-wide training networks and local academies (currently in Poland, Russia, Slovakia, the Czech Republic and South Africa), it plays a key role in employee development.

The Mondi Academy International conducted 126 seminars and programmes in 2018 (2017: 148) which were attended by 1,196 employees, 26% female (2017: 1,180, 25% female). It increased its focus on providing digital learning tools, laying the foundation for the Digital Academy, which is due to be launched in 2019 to support employees in developing their digital skills.

3

Fairness and diversity in the workplace

Our commitment to 2020	2018 performance in brief	Status
Promote fair working conditions and diversity in the workplace	Diversity and inclusion roadmap developed and 10 priority work streams identified to support and enhance diversity and inclusion in the workplace	

We strive to create an inclusive environment where differences are valued and embraced and we apply a zero tolerance policy towards discrimination and harassment. Equal opportunities for all is a priority across our operations.

Although labour and collective bargaining practices differ from country to country, basic rights and fair employment standards (including fair wages[4]) apply throughout the business. They are managed locally, guided by Group policies and standards.

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

Growing responsibly: Our progress in 2018

Diversity and inclusion (D&I)

Our policy is to treat everyone – including all our employees and contractors, whether part-time, full-time or temporary – fairly and with respect, irrespective of origin, nationality, disability or gender. Opportunities for employment, engagement, promotion, training and any other benefit are based on skills and ability.

We monitor gender diversity across the business, and among our senior management. We provide equal opportunities for all genders regardless of race, age, sexual orientation, ethnicity or any other difference and we are working to increase the representation of women at all levels.

Our D&I policy, updated in 2017, takes into account evolving regulatory requirements and stakeholder expectations. The policy was informed by the Hampton-Alexander Review[5] recommendation that boards, as well as executive committees and their direct reports combined, should be 33% women by 2020. It also provides a greater focus on ethnic and race diversity across our board and executive committee members and it continues to support our Labour and Human Rights policy.

We consider applications for employment in a fair and balanced way, seeking to cater for individual requirements, disabilities and needs. Group policy ensures training, career development and promotion is consistent and fair, including for people with disabilities. In the event of an employee suffering a life-altering or life-threatening injury at work, we facilitate appropriate medical treatment and rehabilitation. We have supported continued employment at Mondi for all employees who have suffered life-altering injuries by finding alternative equivalent jobs for them as necessary.

At the end of 2018, 21% of employees were female (2017: 22%). We had two female directors representing 25% of the composition of the Boards and one director of ethnic minority background. In June 2018, we reported to the Hampton-Alexander Review that we had 27% female representation across our executive committee and its direct reports (2017: 27%).

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

We believe that diverse teams will improve our competitive advantage. Our global D&I taskforce is focusing on 10 workstreams to drive progress across the organisation.

Sara Sizer
Group Communication & Marketing Director and Exco D&I sponsor

60% of Mondi South Africa's management team (six out of 10 operational committee members) were previously disadvantaged individuals (2017: 57%).

In September 2018, we held our first Diversity & Inclusion conference, bringing 75 colleagues together to shape the vision of a diverse and inclusive culture at Mondi.

A pilot initiative is helping us to better understand and address the needs of employees with a disability. We are developing metrics that can more clearly monitor, measure and track our commitment to promoting fair working conditions in the workplace.

Gender diversity 2018*	Male	%	Female	%
Directors	6	75	2	25
Senior managers	283	92	26	8
Employees	20,708	79	5,468	21

* As at 31 December 2018
Senior managers includes directors as per the definition set out in section 414C of the UK Companies Act 2006

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Human rights

We're further strengthening our monitoring and reporting of potential human rights risks in our operations and supply chain. This includes embedding sustainability criteria relating to labour and human rights across our procurement processes.

Respecting and protecting human rights is embedded in many existing practices and initiatives across the business, including: ensuring safety and health at work; engaging employees and treating them fairly; our respect for the law wherever we operate; engaging with and investing in communities; minimising our environmental footprint; producing our products to the highest safety, health and hygiene standards; and working with suppliers and contractors to meet high standards of business conduct.

Our upcoming Operating Standard related to human rights and working conditions, due to be rolled out in 2019, will provide guidance for identifying, mitigating and managing potential human rights risks. In addition, we are working on the implementation of comprehensive mechanisms to identify and address human rights incidents in our supply chain.

There were no human rights incidents in our operations or supply chain reported through our Speakout tool or any other reporting mechanisms in 2018.

We support the UK Modern Slavery Act and its requirement for organisations to prepare an annual slavery and human trafficking statement. Our first statement was published in June 2017 for the financial year 2016. The latest statement was published on our website in June 2018 for the financial year 2017, with the next update due in June 2019.

Corporate restructuring

Where employees are affected by corporate restructuring, we follow our HR policies and local labour rules as a minimum. If roles are at risk, we seek to provide retraining, interview skills and CV writing services, re-employment and relocation, supporting entrepreneurship as well as severance payments depending on local regulations and available legal schemes. In 2018, the closure of our Louisville facility (US) impacted about 100 employees. The closure of our Scunthorpe plant (UK) impacted 79 employees, all of whom secured alternative employment or became self-employed. We also ceased production of industrial bags at our Zeltweg plant (Austria), impacting around 100 employees, and we are in the process of merging our two industrial bags plants in the city of San Pietro in Gu (Italy) on to one site, with the majority of employees retaining their jobs. In South Africa, following the closure of a paper machine at our Merebank mill, 119 impacted employees were offered access to career guidance and support in order to secure employment elsewhere, with only five remaining unplaced.

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Sustainable fibre

Our commitments to 2020	2018 performance in brief	Status
Maintain FSC certification for 100% of our owned and leased forest lands and promote sustainable forest management	100% of owned and leased forests certified	●
Procure at least 70% of our wood from FSC- or PEFC-certified sources with the balance meeting our company minimum wood standard that complies with FSC's requirements for Controlled Wood	71% of wood certified All Chain-of-Custody certifications with Controlled Wood requirements were maintained	●

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

We manage around 2.4 million hectares of forest landholdings in Russia and South Africa. Sourcing wood through our own forestry operations gives us maximum assurance that our fibre is sustainable and provides opportunities to test new sustainable forestry practices and landscape stewardship approaches. We maintain FSC certification of all our owned and leased forests as well as PEFC certification in our Russian forests.

A significant portion of our wood demand is sourced externally. We combine forest certification with risk-assessment as part of our DDMS. The system meets FSC Controlled Wood (CW) requirements as a minimum and addresses the requirements of the European Union Timber Regulation (EUTR) and the US Lacey Act.

In European countries, through the strong consideration of sustainability factors in forestry traditions, regulations and practice, we promote PEFC certification. For countries identified as high-risk through our DDMS, or where we do not have expertise on national legislation, society and environment and where we lack experience working with local suppliers, we only accept FSC-certified wood or wood that is verified through a recognised credible certification body.

We do not source wood or products from sources that involve any of the following: violation of national and international legislation; violation of traditional and human rights; destruction of high conservation values, conversion of forests to plantations or non-forest use; introduction of genetically modified organisms; or violation of any of the International Labour Organization (ILO) Core Conventions. None of our sourcing contributes to illegal logging or deforestation and we don't use illegal wood, including mixed tropical hardwood species and species listed by the Convention of International Trade on Endangered Species (CITES).

In 2018, 71% of our total procured wood was certified to FSC or PEFC (2017: 71%) and 94% of our externally procured pulp was from FSC or PEFC certified sources (2017: 93%). All our mills are certified to FSC and/or PEFC Chain-of-Custody standards.

> While forest and supply chain certification alone does not provide proof of legal compliance with EUTR, it is without doubt a very strong tool when used within a corporate Due Diligence Management System.

Charles Townsend
FSC/PEFC Lead Auditor, EUTR Consultant, SGS United Kingdom Ltd.

Growing responsibly: Our progress in 2018

We continued to update and refine our DDMS in 2018 to address the requirements of evolving legislation. This was done with input from the certification body SGS, WWF, and our consultant ERM. We will pilot the updated DDMS in 2019 for our wood and pulp supply chain, supported by group-wide training.

Use of recycled fibre

Recycled fibre is an important raw material for our packaging and paper products. We consider virgin and recycled fibres as complementary. We assess the balance between virgin and recycled fibres in our products on a case-by-case basis, using the optimum solutions to create high-quality, resource-efficient products for our customers. In 2018, we used around 1.3 million tonnes of paper for recycling (recovered paper) (2017: 1.3 million tonnes).

Cascading use of wood

We believe that sustainable consumption of wood needs to be at the heart of the circular economy and government policy to meet projected demand for wood-based products. The cascading use of wood principle maximises the value society gains from the world's forests through the complementary use of virgin and recycled fibre. It prioritises value-adding non-fuel uses first and ensures wood is only burnt for energy after it has been used, reused or recycled for other purposes. With the EU setting new member state targets for obtaining energy from renewable sources by 2030, we continue to support calls for these targets to be met without causing inadvertent damage to the world's forests and the sustainable wood supply chain.

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Climate change

Our commitments	2018 performance in brief	Status
Reduce specific CO_2e emissions from our pulp and paper mills by 15% by 2030 against a 2014 baseline	14.5% reduction in specific CO_2e emissions against 2014 baseline	●
Reduce specific, production-related, Scope 1 and 2 GHG emissions from our pulp and paper mills to 0.25 tonnes CO_2 per tonne of saleable production by 2050 against a 2014 baseline	7.7% reduction of specific production-related CO_2 emissions against a 2014 baseline	●

Our approach to climate change addresses both the risks and the opportunities in transitioning to a low carbon economy. Key focus areas include energy optimisation programmes, increasing the ratio of renewable energy and biomass-based fuels, and increasing electricity self-sufficiency. In 2018, we joined WWF's Climate Savers, a leadership programme for businesses, as part of our commitment to continue to reduce our GHG emissions using the science-based target setting methodology.

We combine strategic energy-related investments across our pulp and paper mills with good management and sharing of best practice. Our aim is to reduce emissions, improve energy efficiency and replace fossil fuels with renewable biomass-based energy, where it is practical and economically feasible. We also manage our impacts by using low carbon energy technologies, reducing the carbon footprint of our products and refining our approach to responsible, sustainable forestry.

Managing risks and opportunities

Our group-wide risk management framework ensures the effective governance of all our material risks and opportunities. It includes pre-determined risk tolerance limits which take the likelihood and severity of risk factors into consideration.

We are committed to adhering to internationally accepted recommendations – such as those published by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) – to investigate and report on climate-related risks and opportunities. In 2018, we made progress in defining Mondi´s climate-related risks and opportunities and investigated their financial implications according to the recommendations of the TCFD.

We have identified three key risks and two opportunities, and started the process to understand the financial implications.

Our climate-related risks include regulatory risks such as reduced EU ETS allowances in period IV, which may result in the demand of additional GHG credits. We have also identified physical risks such as extreme weather conditions that may result in reduced tree growth yields as a consequence of drought, fire, erosion loss and pests and disease. Water scarcity may affect water resources required for production in our mills located in water scarce countries, and lead to increased expenses for water and/or higher investment requirements to ensure water security. Our climate change-related opportunities include operating cost reductions through implementation of efficiency improvements both for water use and energy as well as opportunities for generating income from by-products from our pulp process with low-carbon, biomass based chemicals which can be sold as secondary raw materials.

Energy use and generation

In 2018, the total energy use by our mills was 148.7 million GJ (2017: 151.6). Some 91.6 million GJ was consumed for pulp and paper core processes in the form of heat and electricity at our operations (2017: 93.1) and 8.5 million GJ was sold to the local grids (2017: 8.4). Total energy sales including green fuel sales amounted to 10.2 million GJ (2017: 10.1).

The contribution of biomass-based renewable energy to the total fuel consumption of our mills increased from 59% in 2014 to 64% in 2018, mainly due to the new biomass boilers at our mill in Świecie (Poland) and production increases at Syktyvkar which increased biomass (black liquor and bark) incineration and, in combination with reduced energy sales, led to a higher ratio of biomass-based energy production at Syktyvkar.

Our mills' electricity self-sufficiency was 100% in 2018, up from 96% in 2017.

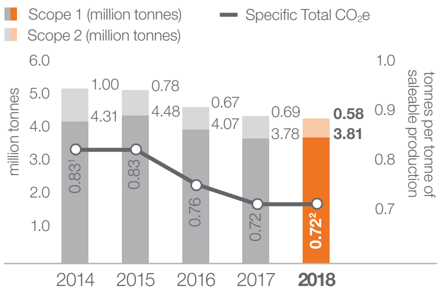
GHG emissions[6]

Pulp and paper mills

In 2018, the Scope 1 emissions of our mills was 3.8 million tonnes CO_2e (2017: 3.8 million). This equated to 0.63 tonnes CO_2e per tonne of saleable production (2017: 0.61).

We reduced our mills' Scope 2 emissions from 0.69 million tonnes CO_2e in 2017 to 0.58 in 2018, equating to specific emissions of 0.10 tonnes per tonne of saleable production (2017: 0.11). All our mills use market-based emission factors for reporting Scope 2 emissions. Our reported CO_2e figures do not include any carbon off-setting.

GHG emissions from our pulp and paper mills



1 The 2014 baseline of 0.844t/t excludes a divested mill
2 0.722t/t excludes Powerflute (acquired in 2018) but includes Pine Bluff until date of divestiture

Our long-term GHG reduction target, calculated using the science-based target setting methodology, is:

- Reduce production-related specific GHG emissions to 0.25 tonnes CO_2 per tonne of saleable production by 2050, against a 2014 baseline of 0.59 tonnes
- 2025 milestone: 0.44 tonnes CO_2 per tonne of saleable production

Converting operations

The Scope 1 emissions from our converting operations totalled 0.15 million tonnes CO_2e in 2018 (2017: 0.15). Their Scope 2 emissions totalled 0.26 million tonnes CO_2e (2017: 0.27). Our converting operations contributed 31% of the Group's total Scope 2 emissions.

Scope 3 emissions

Our indirect emissions (Scope 3) arise from transportation of products and raw materials, employee commuting, business travel, disposal of waste and production of fuels and raw materials. In 2018, our Scope 3 emissions were estimated to amount to 3.24 million tonnes CO_2e (2017: 3.01). Over the last few years, we have increased the number of categories we report as Scope 3 emissions to provide a more complete picture of our indirect emissions. We are currently working with WWF and an external consultant to replace some of the secondary data with primary data[7].

Energy-related investments

To achieve our climate goals, we make targeted energy-related investments across our pulp and paper mills, mainly through recovery boilers that utilise the biomass residues of our pulp making process. Since 2013 we have invested over €400 million in energy efficiency measures and increasing biomass based energy in our mills, including new recovery boilers at Frantschach (Austria), Ružomberok, and Świecie. In addition, we invested in a new recovery boiler as part of the €335 million modernisation project at Štětí (Czech Republic), and we are investing €125 million to upgrade the energy plant at our Syktyvkar mill.

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6 We report our GHG emissions according to the Greenhouse Gas Protocol, published by the WBCSD and the WRI, and have reported our scope 1 and 2 GHG data in compliance with ISO 14064:1-2006. ERM CVS has provided reasonable (pulp and paper mills) and limited (converting operations) levels of assurance on our scope 1 and 2 GHG data in accordance with ISO 14064. See their full statement at www.mondigroup.com/sdassurance

7 Primary data includes data provided by suppliers or other value chain partners related to specific activities in the reporting company's value chain. Secondary data includes industry-average data (e.g. from published databases, government statistics, literature studies, and industry associations), financial data, proxy data, and other generic data

Growing responsibly: Our progress in 2018

Constrained resources and environmental impacts

Our commitments to 2020	Performance in brief	Status
Reduce specific contact water consumption from our pulp and paper mills by 5% compared to a 2015 baseline	2% reduction of specific contact water consumption against the 2015 baseline	
Reduce specific waste to landfill by 7.5% compared to a 2015 baseline	1.3% increase of specific waste to landfill against the 2015 baseline	
Reduce specific NOx emissions from our pulp and paper mills by 7.5% compared to a 2015 baseline	16.3% reduction of specific NOx emissions against the 2015 baseline	
Reduce specific effluent load to the environment (measure COD) by 5% compared to a 2015 baseline	6.1% increase of specific effluent load against the 2015 baseline	

Resource efficiency underpins many of our material issues – from product design to minimising our environmental impacts and sourcing responsibly. We consider solid waste and emissions to air and water as wasted resources and we work to minimise them across our operations. Our investments in Best Available Techniques (BAT)[8] have enabled us to achieve significant improvements in resource efficiency.

Water reduction and recycling

Given the critical importance of water to our business, to local communities and to other stakeholders, we strive to manage our water use wisely and efficiently – especially in water stressed regions. We've committed to reducing the specific contact water consumption of our pulp and paper mills by 5% by 2020, against a 2015 baseline. In 2018, total Group water input was around 303 million m^3 (2017: 307 million m^3), with specific contact water consumption at 33.2 m^3 per tonne of saleable production (2017: 32.8 m^3) at our mills.

25 million m^3 of our water input was in water scarce areas in South Africa (2017: 26 million m^3). We saw a 2.2% decrease in our water withdrawal in water stressed regions in 2018 – mainly due to the closing of our newsprint production capacity at our Merebank mill. Our Richards Bay operation had a significant increase in water consumption caused by the impacts of an extended shut in February.

Managing waste

We have committed to reduce the waste we send to landfill by 7.5%[9] by 2020, against a 2015 baseline. In 2018, we sent 38.2 kg of waste to landfill per tonne of saleable production (2017: 30.8 kg). This is a 1.3% increase against 2015 (37.7 kg per tonne of saleable production) and a 24.2% increase since the previous year due to the extended shut at our Richards Bay mill when about 16,000 m^3 of fibre sludge had to be dewatered and landfilled. Additionally, our Syktyvkar mill had to increase its waste to landfill due to finalisation of the re-cultivation of its sludge pond.

In 2018, we committed US$50,000 to fund a One Young World Lead2030 youth-led project that will turn waste generated by the packaging industry into raw materials of inherent value. Outcomes will include demonstrating how current retail, collection, sorting and recycling infrastructure can be adapted to generate raw materials of inherent value and how consumers can be incentivised and encouraged to improve sorting and collection of packaging waste.

Air emissions

We are committed to minimising environmental impacts related to air emissions from our sites. We carefully manage our air emissions and use ISO standards for monitoring, analysing and calculating absolute emissions of pollutants.

In 2018, we emitted 55 tonnes of TRS (2017: 56), a slight decrease compared with 2017.

8 In support of the EU's Directive on Industrial Emissions (IED, 2010/75/EU), Best Available Techniques (BAT) reference documents, the so-called BREFs have been published under http://eippcb.jrc.ec.europa.eu/reference/

9 kg of waste per tonne of saleable production

At our Richards Bay mill, problems in the lime kiln meant we had to introduce methanol into the flare, resulting in burner temperature instability; emissions of un-combusted concentrated non-condensable gases (CNCG); and a significant increase in TRS emissions, leading to around 300 odour complaints from the surrounding community.

In 2018, our SO_2 emissions were 1,567 tonnes (2017: 1,447). This represents a 72% reduction against 2015 levels, mainly due to the new biomass boiler and the fuel switch from coal and heavy fuel oil to natural gas at our Świecie mill.

Our specific NOx emissions amounted to 1.7 kg per tonne of saleable production (2017: 1.8 kg), down 16.3% against 2015 levels. We emitted 1,023 tonnes of fine dust emissions (particulates) (2017: 921), an 11% increase compared to 2017 mainly caused by problems with our electrofilters at the recovery boiler in Syktyvkar.

Effluent and wastewater quality

Our commitment is to reduce the specific effluent load (COD) of wastewater by 5% by 2020 (against a 2015 baseline) by avoiding spills of chemicals in production processes and by investing in wastewater treatment plants. Specific COD after wastewater treatment was 7.95 kg per tonne of saleable production (2017: 6.85). This represents a 6.1% increase against 2015 and a 16.1% increase against 2017, mainly due to the extended shut at our Richards Bay mill.

We've achieved significant reductions in AOX emissions from 390 tonnes in 2005 to 150 tonnes in 2018 (2017: 170), mainly due to replacing elemental chlorine as bleaching agent in our pulp mills.

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Biodiversity and ecosystems

Courtesy Ministry of Natural Resources and Environmental Protection of the Republic of Komi © Trier Igor

Our commitment to 2020	Performance in brief	Status
Promote ecosystem stewardship in the landscapes where we operate through continued multi-stakeholder collaboration	Extended the work of the WWF-Mondi Partnership in South Africa and Russia, as well as 10-year review of local partnerships with Silver Taiga and MENP Continued to actively support collaborations including NGP, BFP, TFD, CISL, HCVRN, WBCSD FSG and IUFRO	●

We support resilient production landscapes and work to optimise wood production in balance with other components of natural capital and thriving ecosystem services. We use our forests to apply best practice and develop new practical solutions for sustainable forest management, taking into account the specific features and needs in different forest types.

Ecological networks are critically important for ensuring biodiversity and ecosystem service benefits within highly productive plantation landscapes.

Professor Michael Samways
Head of the Mondi Ecological Networks Programme, Professor at Stellenbosch University (South Africa)

The sustainable working forest

Our working forest concept provides a visual representation of the positive contribution that well-managed production landscapes make to society and the environment by integrating commercial forests and conservation networks. Since its launch, we have used the working forest concept to promote landscape stewardship and the crucial importance of securing a sustainable increase of long-term wood supply, while at the same time maintaining essential ecosystem services. The concept has gained external recognition among global stakeholders and is supported by our partners, strengthening its wider outreach.

Growing responsibly: Our progress in 2018

Managing biodiversity and ecosystems

We are committed to managing key natural ecosystems in our forestry operations in a way that allows ongoing representation of biodiversity and delivery of key ecosystem services. We do this by maintaining an effective network of conservation areas and priority ecosystems and imitating natural dynamics for key types of ecosystems wherever possible. The management of our conservation areas is guided by our environmental management system, and the site-specific requirements are reflected in a series of map-based Environmental Management Plans (EMPs). We set aside around 24% of our owned and leased land for conservation purposes; the rest of our managed land is used for production purposes.

To scale up our impacts, we share best practice and local experience through regional and global platforms, designed to catalyse action on a wider scale. These platforms include the Boreal Forest Platform (BFP)[10], New Generation Plantations Platform (NGP)[11] and The Forest Dialogue (TFD)[12].

We continue to develop best practices across our main forest types through the Ecosystems Stewardship workstream of our WWF Global Partnership in South Africa, Russia and Bulgaria, as well as our local partnerships with Silver Taiga Foundation in Russia and the Mondi Ecological Networks Programme (MENP) in South Africa.

Water stewardship

We collaborate with stakeholders to promote water stewardship through a multi-stakeholder approach at a landscape or catchment scale. By involving key organisations and stakeholders who share an interest in a catchment, the approach aims to develop and implement shared solutions and actions to secure water-related ecosystem services at scale. In this way, Mondi promotes water stewardship across water catchments well beyond its forest boundaries.

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10 http://borealforestplatform.org/en/
11 https://www.newgenerationplantations.org/
12 https://theforestsdialogue.org/

8 Supplier conduct and responsible procurement

Our commitment to 2020	Performance in brief	Status
Encourage supply chain transparency and promote fair working conditions together with our key suppliers	Continued development of the responsible procurement process to identify sustainability risks in our supply chain and carried out a pilot screening of 100 suppliers to test the methodology	

In an increasingly globalised and connected economy, transparency has become a key supply chain success metric for stakeholders worldwide. We're taking steps to improve transparency and manage our impacts by partnering with suppliers to build a responsible, inclusive and sustainable supply chain. Our global supply chain spans more than 17,000 first-tier suppliers[13] in 63 countries around the world. We focus on sourcing fibre responsibly, ensuring no human rights violations and improving our understanding of climate change and of water-related risks.

We have focused on developing a more standardised approach to identifying sustainability risks and assessing supplier performance. This work supports our response to the UK Modern Slavery Act and other similar modern slavery legal requirements. It will enable us to improve the transparency in our supply chain, minimising risk to our business and meeting stakeholder expectations for global supply chain transparency, particularly around human rights and environmental practices.

13 First-tier suppliers that were active in 2018 with at least one purchase order, grouped into single entities

Risk-based approach

We take a targeted, risk-based approach to prioritise areas in our supply chain that require attention. We use credible third-party risk ranking data such as the Corruption Perception Index, Global Slavery Index, the World Bank's Worldwide Governance Indicators and other public sources.

In 2018, we developed a comprehensive methodology for assessing sustainability risks in our supplier base and conducted training for procurement specialists. We also developed a process to assist us in identifying key sustainability risks associated with our supply chain – namely labour rights, climate change, water-related and biodiversity risks.

Our Code of Conduct for Suppliers

We expect every company in our supply chain to adhere to our Code of Conduct for Suppliers, which covers social, environmental, governance, legal and ethical aspects. We updated the Code in 2017 to strengthen the human rights element, addressing the issues of human trafficking and modern slavery risks. In 2018, we updated the Code again to include additional risk areas related to labour rights, environmental impact and water stress. The updated Code will be rolled out to new suppliers from 2019 and to existing suppliers in the course of the contract prolongation process.

Responsible procurement process

Our responsible procurement approach[14] covers the onboarding, evaluation and audit stages of assessing supplier performance. We conduct regular assessments to evaluate the reliability of supply and quality of service, as well as the environmental and social practices of suppliers.

The new responsible procurement process will continue to be implemented in 2019.

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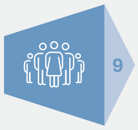
14 We have changed the name from 'Supplier Relationship Management' approach to 'responsible procurement approach' as it is no longer based on the SRM tool but on multiple IT tools



Relationships with communities

Our commitment to 2020	Performance in brief	Status
Enhance social value in our communities through effective stakeholder engagement and meaningful social investments	Progress made on a toolkit to measure the social and business value of community investments	●

The social, economic and environmental health of local communities is important to our success and we work hard to maintain positive and open relationships. Transparent engagement helps us address challenges, understand and manage risks, generate opportunities, identify material issues and improve our business performance.

We continuously aim to improve our understanding of the impacts of our business on local communities – positive or negative, actual or potential, short term or long term, direct or indirect, intended or unintended. We do this through various forms of impact assessment, monitoring and reporting, including our tailored Socio-economic Assessment Toolbox (SEAT) and learnings from ongoing formal and informal stakeholder engagement.

The immediate outputs are SEAT reports, action plans and community/stakeholder engagement plans. We use these to target our community development programmes, investments in local initiatives, community forums, and training for our community and human resource professionals. Committees and functions such as works councils, health and safety committees and others help us to shape our response to the findings.

During the year we conducted a SEAT at Frantschach, the first for the mill. The process was well received and positive reference was made to Mondi's strong social licence to operate, proactive communication and focus on safety. The mill was also recognised for providing a family-style atmosphere and being a reliable business partner, as well as for its investments in the community.

We also began the process of updating our Sustainable Development Management System (SDMS) operating standard related to stakeholders to provide group-level guidance on where and how often we need to conduct SEATs.

Growing responsibly: Our progress in 2018

Investing in our communities

We've invested some €39.6 million in local community initiatives over the past five years, including contributing employee time and gifts in kind. Our investments in 2018 totalled €7.9 million (2017: €9.6 million).

Our commitment to empowering local communities is brought to life through practical support and assistance focused on the following key development enablers:

Education

Educational programmes help to secure talent and skills for our future business and address limited technical knowledge in some of the communities where we operate.

Mondi Świecie has partnered with educational institutes to improve technical education and career development, and Mondi Stambolijski (Bulgaria) has inspired school children to have more fun with mathematics.

Educational initiatives sometimes also serve to promote social cohesion, reduce crime and set the foundation for community development. INGWE, our youth development programme in South Africa, is achieving this.

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Health

Public health provision can be a challenge in some of the more remote communities where we operate. We actively promote the health and wellbeing of our people, and improving the health of our workforce and local communities is an important element of our community strategy.

- → Our Stambolijski mill provides a medical facility within the mill premises for the benefit of the employees and the local community. Štětí's 'Mondi for Life' project, a club of 185 members from employees and the community, addresses a healthy work-life balance and a healthy and active lifestyle.
- → Our Syktyvkar mill provides specific and targeted health programmes through its medical treatment facility, and delivers various family care programmes for employees and their children.
- → Mondi provides an Austria-wide health management programme in collaboration with 'Fonds Gesundes Österreich' (Fund for a Healthy Austria) and the regional health insurance funds focused on safe and healthy working conditions for employees.
- → Our highly successful Mobile Clinic Programme is being used to promote early childhood development in South Africa.

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Infrastructure and community development

We invest in improving infrastructure and development in the communities where we operate. High-quality infrastructure promotes access and opportunities, empowers enterprise, facilitates improved levels of health and education, and supports efficient business operations.

For example our agri-villages in South Africa provide permanent residence in sustainable human settlements with secure tenure, and in Russia we build or maintain more than 100 km of forest roads annually.

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Employment and enterprise support

Mondi supports local enterprise, which in turn creates wealth and employment, strengthens the local supply chain, enables independence and builds community resilience.

Mondi Zimele[15] aims to accelerate community empowerment in the forestry value chain and support small businesses around Mondi's operations.

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15 http://www.mondizimele.co.za

10

Solutions that create value for our customers

Responsibly produced and innovative packaging and paper products have a crucial role to play in tackling issues such as climate change, resource scarcity, food waste and plastics in the environment. As a producer of both fibre and plastic-based packaging solutions, we are well positioned to combine our expertise and partner with customers to find the best packaging for each application – be it a high-performance paper, flexible plastic or plastic-paper hybrid solution.

Our commitment to 2020	Performance in brief	Status
Encourage sustainable, responsibly produced products	Updated and renamed our Sustainable Products criteria and signed up to the New Plastics Economy Global Commitment	

Customer engagement and transparency

Surveys are a key tool for measuring customer satisfaction and they guide the development of our product portfolio. Early in 2019 we conducted a new customer satisfaction survey covering all businesses. It included sustainability-related questions around certification of sustainable products and results will be available at the end of the first quarter. We also measure our performance by participating in a wide range of external benchmarking initiatives that aim to increase transparency, including WWF's biennial Check Your Paper, the Environmental Paper Company Index (EPCI)[16] and Paper Profile.

EcoSolutions

Our focus on EcoSolutions will actively encourage customers – especially in fast moving consumer goods (FMCG) – to switch to more sustainable packaging solutions. The essence is 'Sustainable packaging by design: paper where possible, plastic when useful'.

Chief Executive Officer's letter
Page 10-11

External context
Page 14-17

Green Range

For Uncoated Fine Paper, we have an existing system in place, the Green Range, which we use to communicate sustainability criteria specific to our uncoated fine paper products. Green Range products are produced from FSC- or PEFC-certified wood from sustainably managed forests or 100% recycled paper, or are produced totally chlorine free (TCF).

16 https://epci.panda.org/results/mondi

Our Sustainable Products criteria

In 2018, we identified the need to refocus certain elements of our Responsible Products criteria definitions to promote our circular economy approach and make the criteria relevant to all fibre and plastic-based products. The criteria have been reviewed, updated and renamed our Sustainable Products criteria.

Our businesses have started to define business-specific criteria and develop a corresponding scorecard to track progress. This will increase transparency for our customers and partners on our portfolio of EcoSolutions.

Online Sustainable development report
Page 110

Our Sustainable Products criteria reflect all stages of the value chain:

Responsible sourcing: Products using responsibly sourced raw materials and services from suppliers that meet our standards on social, environmental, legal and ethical criteria.

Renewable materials: Products made with renewable material or feedstock.

Recycled materials: Products made with recycled content without compromising quality or safety.

Resource optimisation: Products designed, engineered and manufactured to best utilise all available resources including reduced emissions to air, water or land.

Enhanced product performance: Products and solutions (including substitution of materials) with sustainable features to reduce product loss and/or environmental impact in the supply chain.

Next life: Products are optimised for the most desirable end-of-life scenario to retain value into their next life, such as reusability and recyclability, or compostability and biodegradability.

Code of business ethics

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

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

Regular training is provided to all relevant employees and compliance with the policy is monitored by the audit committee. The directors believe that the Group has robust compliance procedures in place in relation to the code and are not aware of any material non-compliance with the Code.

We have rigorous internal processes to facilitate the reporting, investigation and resolution of any issues. Speakout, our confidential hotline operated by an independent third party, is the primary tool through which employees and other stakeholders can raise concerns.

In 2018, we received 104 Speakout messages (2017: 120) relating to 65 cases (2017: 74). These covered a number of topics, in particular the reporting of HR-related concerns, potential business irregularities and perceived fraudulent activities.

Financial performance

Strong performance on all key metrics

Our strong cash flow generation and robust financial position make us resilient and provide us with strategic flexibility to take advantage of opportunities.

Our financial performance[1]

€ million	2018	Restated[2] 2017	% change
Group revenue	7,481	7,096	5%
Underlying EBITDA	1,764	1,482	19%
% margin	*23.6%*	*20.9%*	
Depreciation, amortisation and impairments	(446)	(453)	
Underlying operating profit	**1,318**	**1,029**	**28%**
% margin	*17.6%*	*14.5%*	
Net finance costs	(88)	(85)	
Net profit from equity accounted investees	1	1	
Underlying profit before tax	1,231	945	30%
Underlying tax charge	(273)	(181)	
Non-controlling interests	(42)	(43)	
Underlying earnings	**916**	**721**	**27%**
Special items (after tax)	(92)	(53)	
Profit after tax and non-controlling interests	**824**	**668**	**23%**
Basic earnings per share (euro cents)	**170.1**	**137.9**	**23%**
Basic underlying earnings per share (euro cents)	**189.1**	**148.9**	**27%**
ROCE %	**23.6%**	**19.3%**	

Our financial position

€ million	2018	Restated[2] 2017
Property, plant and equipment	4,340	4,128
Goodwill	942	698
Working capital	972	899
Other assets	540	530
Other liabilities	(749)	(716)
Net assets excluding net debt	**6,045**	**5,539**
Equity	3,485	3,683
Non-controlling interests in equity	340	324
Net debt	2,220	1,532
Capital employed	**6,045**	**5,539**

1 Alternative Performance Measures are defined in note 32, and where relevant reconciled to IFRS in the notes to the combined and consolidated financial statements
2 Refer to notes 32 and 33 in the notes to the combined and consolidated financial statements for basis of restatement

Group revenue of €7,481 million was up 5% on the prior year. 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, a 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.

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.

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 (Slovakia) in the second half.

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%.

In 2018, the special item net charge comprised the following by business unit:

→ 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, 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.

Strong cash flow generation

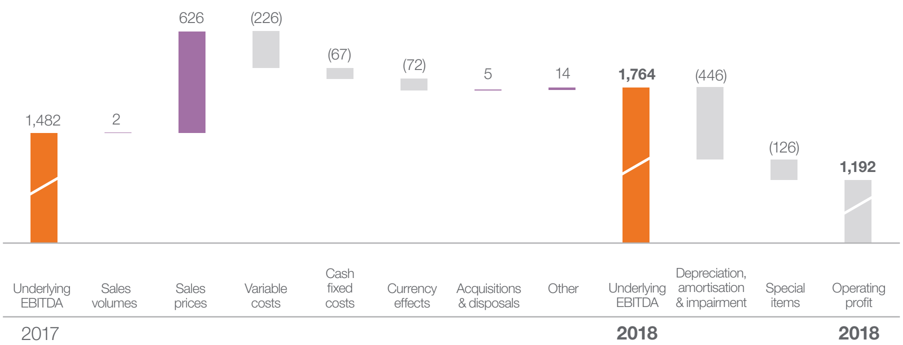
Cash generated from operations of €1,654 million (2017: €1,363 million), reflects the continued strong cash generating capability of the Group.

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).

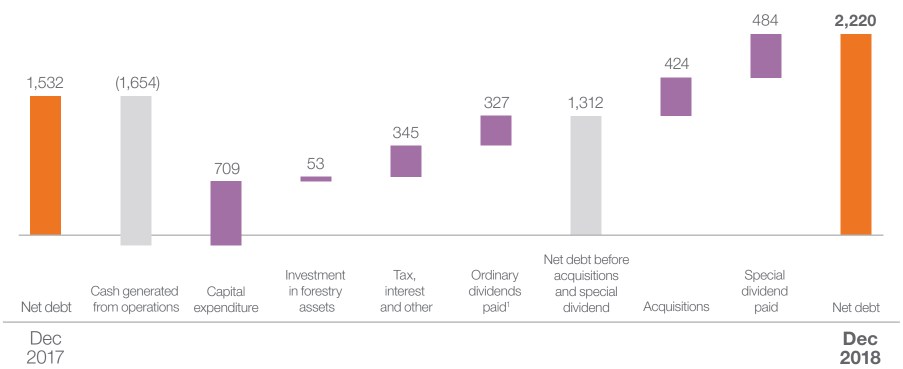
In 2018, capital expenditure amounted to €709 million (2017: €611 million), in line with our expectations as outflows related to our major capital expenditure projects increased. We completed the acquisition of Powerflute (Finland), two industrial bag plants in Egypt and forest plantations in South Africa 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.

Underlying EBITDA development
€ million



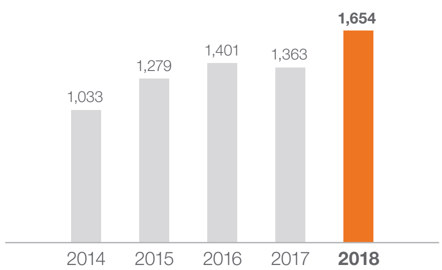
Movement in net debt
€ million



1 Ordinary dividends paid to shareholders and non-controlling interests

Cash generated from operations
€ million

€1,654m



Our net debt and interest[1]

€ million	2018	Restated[2] 2017	% change
Net debt	**2,220**	**1,532**	**(45)%**
Average net debt	1,979	1,572	(26)%
Net interest expense	(83)	(75)	(11)%
Effective interest rate	4.2%	4.8%	
Committed facilities	2,487	1,987	
Of which undrawn	616	791	
Net debt to 12-month trailing underlying EBITDA (times)	1.3	1.0	

1 Alternative Performance Measures are defined in note 32, and where relevant reconciled to IFRS in the notes to the combined and consolidated financial statements
2 Refer to notes 32 and 33 in the notes to the combined and consolidated financial statements for basis of restatement

Managing our financial risks

Our capital structure

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

Our capital employed is used to fund the growth of the business and to finance our liquidity needs. We retain access to diverse sources of funding with various debt maturities, as set out in the chart below.

Our short-term liquidity needs are met through our €750 million Syndicated Revolving Credit Facility.

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 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.

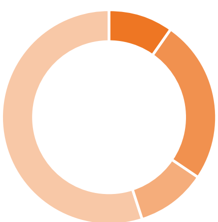
In April 2018, we issued a 1.625% €600 million Eurobond with an 8-year tenor under our Guaranteed Euro Medium Term Note Programme, thereby extending the Group's maturity profile and maintaining our strong liquidity.

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).

Maturity profile of net debt

€ million

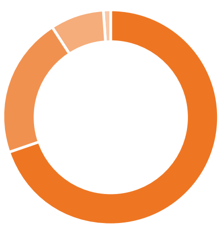
€2,220m



Within 1 year	218
1–2 years	548
2–5 years	233
>5 years	1,221

Composition of debt

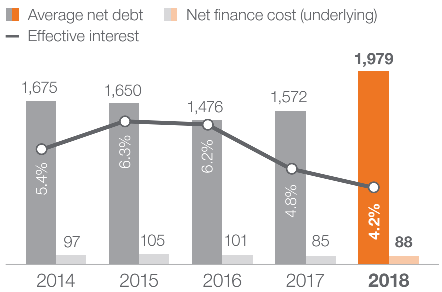
€ million



Bonds	1,592
Bank loans and overdrafts	484
Lease liabilities	184
Other loans	10

Net debt and finance costs

€ million



Currencies

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

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

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

Currency movements had a net negative impact on underlying 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.

Tax

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

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

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

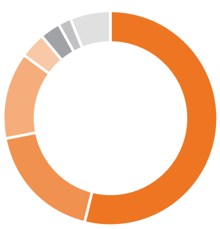
As Mondi operates in a number of countries, each with a different tax system, the Group is regularly subject to routine tax audits and tax authority reviews which may take a considerable period of time to conclude. Our intention is to maintain a constructive dialogue with tax authorities and to work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

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%.

Non-financial information statement
Page 50

Currency split of net debt
%



Euro	54
Czech koruna	18
Polish zloty	13
Turkish lira	4
US dollar	3
Pounds sterling	2
Other	6

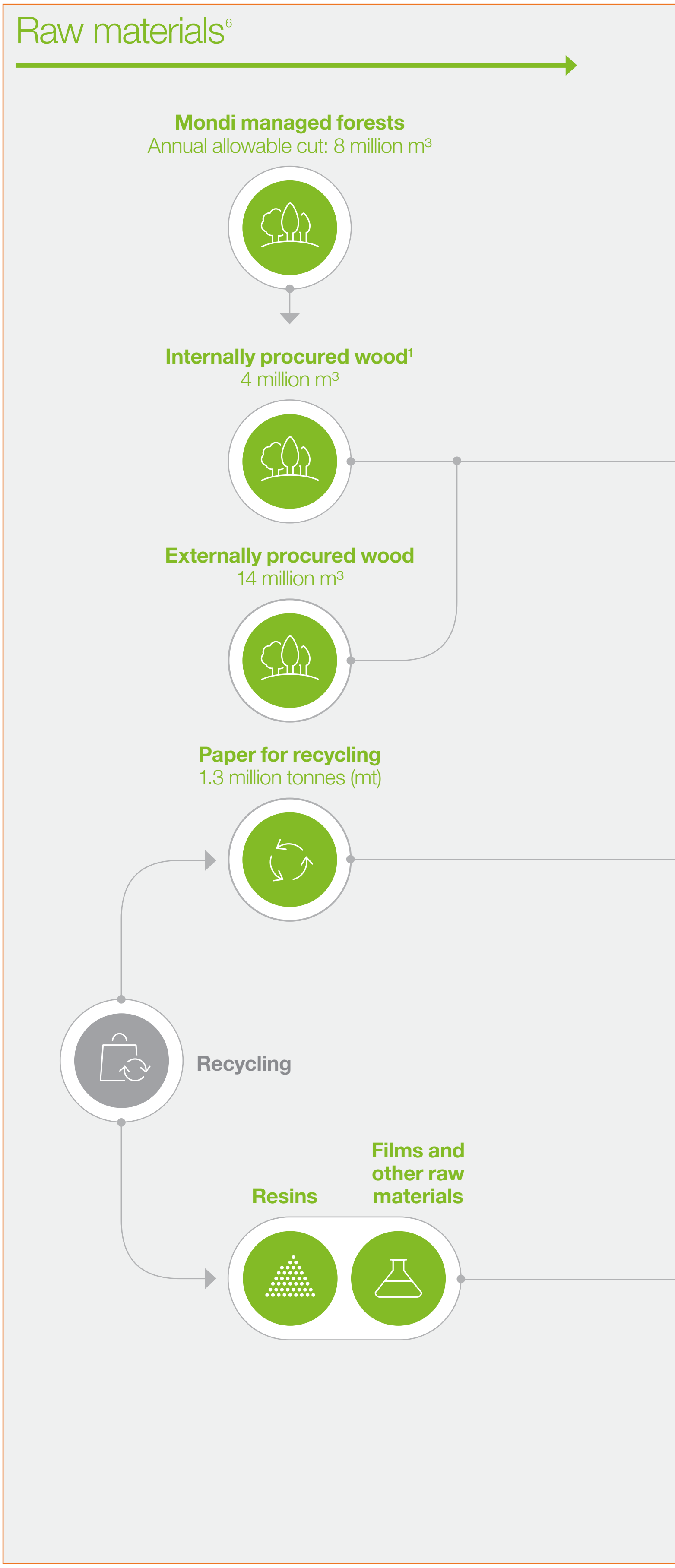
Business reviews

Our integrated value chain

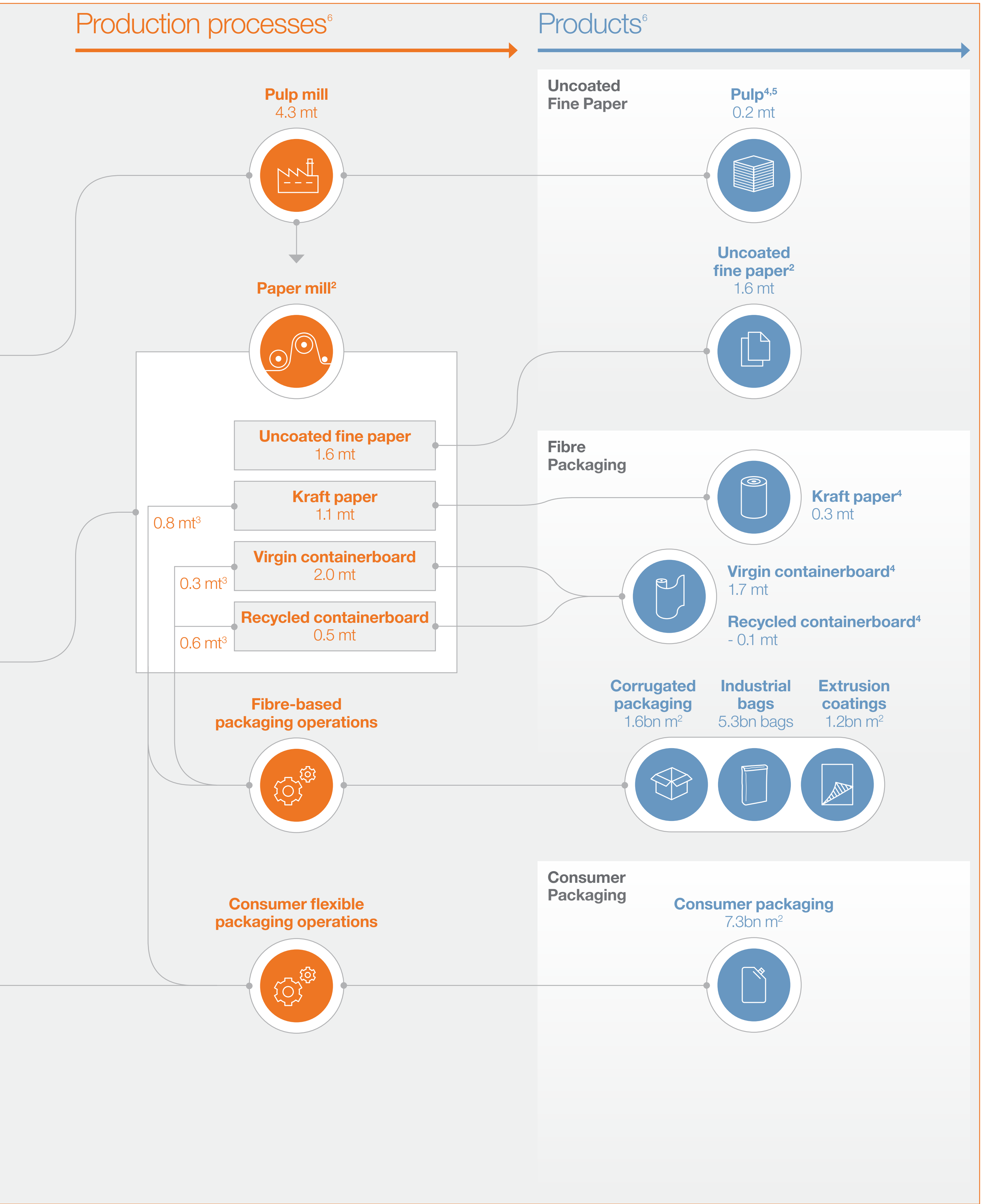
We are integrated across the packaging and paper value chain. Our sustainably managed forests, backward pulp integration and high electricity self-sufficiency provide us with security of fibre supply, reduced exposure to raw material price volatility and the ability to manage risks and opportunities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

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

We are working with partners across our value chain to design fibre and plastic-based packaging that it is fit for a circular economy. This includes using the optimum amount of recycled content and creating products that can be recycled.



1 Due to commercial, logistic and sustainability considerations, the actual wood procured from our managed forests was lower than the annual allowable cut
2 In addition to the 1.6mt of uncoated fine paper, the Group also produced 0.2mt of newsprint in 2018
3 Total consumption (aggregate of internal and externally procured packaging paper) in million tonnes (mt)
4 Pulp and packaging paper net exposure
5 The majority of the Group's market pulp is produced by the Uncoated Fine Paper business with the balance from Fibre Packaging
6 Based on 2018 statistics


Production processes6
Products6
Pulp mill
4.3 mt
Paper mill2
Uncoated fine paper
1.6 mt
Kraft paper
1.1 mt
0.8 mt3
Virgin containerboard
2.0 mt
0.3 mt3
Recycled containerboard
0.5 mt
0.6 mt3
Fibre-based
packaging operations
Consumer flexible
packaging operations
Uncoated
Fine Paper
Pulp4,5
0.2 mt
Uncoated
fine paper2
1.6 mt
Fibre
Packaging
Kraft paper4
0.3 mt
Virgin containerboard4
1.7 mt
Recycled containerboard4
- 0.1 mt
Corrugated
packaging
1.6bn m2
Industrial
bags
5.3bn bags
Extrusion
coatings
1.2bn m2
Consumer
Packaging
Consumer packaging
7.3bn m2

Business reviews

Fibre Packaging

Our Fibre Packaging business manufactures and sells a broad range of containerboard, speciality and sack kraft papers as well as converted corrugated packaging, industrial bags and extrusion-coated products for a variety of consumer and industrial applications.

Operating sites

70 in 29 countries

Paper mills: 10	
Converting plants:	
Corrugated Packaging: 16	
Industrial Bags: 40	
Extrusion Coatings: 4	

Employees

13,500

Production capacity[1]

Pulp: 3,055 ktpa	
Virgin and recycled containerboard: 2,720 ktpa	
Sack and speciality kraft paper: 1,216 ktpa	

1 Includes full year capacity of Powerflute and modernisation of Štětí

We are a leading producer of fibre-based packaging with an integrated, well-invested, cost-advantaged asset base.

Our comprehensive product portfolio is based on renewable raw materials from sustainably managed forests, and includes products that are biodegradable, compostable or contain recycled content. Our products meet customer requirements around sustainability, printability, strength and moisture resistance. We also offer strong innovation capabilities in areas such as brand differentiation, light-weighting, e-commerce and functionality.

Our virgin and recycled containerboard is used to make corrugated packaging, primarily designed to protect our customers' products along the value chain and display them in-store. Innovation and design improvements extend our corrugated packaging offering well beyond traditional boxes to fully customised trays and wraps, multi-piece solutions, appealing point-of-sale solutions and heavy-duty shipping containers.

As the global leader in sack kraft paper and industrial bags, we create strong, light-weight and sustainable products optimised for high-speed filling and easy handling used for cement and building materials, agricultural, chemical and food products. Our range includes open mouth bags, pasted valve bags, water-repellent bags, bags suitable for food contact, e-commerce bags and heavy-duty packaging.

Our customers benefit from our end-use driven expertise in sustainable speciality kraft papermaking. Our broad portfolio includes natural brown and white paper made from virgin and recycled fibre for applications including retail shopping bags and more sustainable food packaging solutions like shallow trays for supermarket shelves.

Our extrusion coatings portfolio offers sustainable alternatives for high-quality barrier solutions required for applications such as food packaging, building insulation, foam papers, wrappers, case linings as well as automotive and protective clothing.

In 2018 we merged our Packaging Paper and Fibre Packaging business units to achieve improved strategic alignment and operational coordination across the fibre-based packaging value chain.

Spotlight on sustainable packaging by design

Mondi Advantage ONE – making one ply strong enough

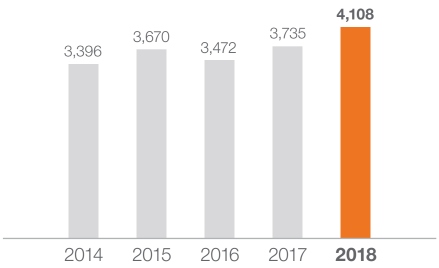
We use Mondi Advantage ONE, a high-performance, fully recyclable sack kraft paper to make our OK Compost certified ONE and ONEPlus industrial bags for the cement industry. The strength of this paper means that these one-ply valve bags are up to 20% lighter than the usual two-ply version without compromising on functionality. Using less material makes this a resource efficient and cost effective packaging solution. If enhanced moisture protection is required, ONEPlus is equipped with a biodegradable PE film as an inner ply.

Corrugated packaging for car bumpers

We have developed 17 innovative new packaging systems that have transformed the way a major European car manufacturer ships car-parts to China and the US. The target was to meet the high standards of global logistics while at the same time minimising the use of natural resources and offering full product protection. For example, our new and innovative car bumper packaging reduces packaging material by 25% and also optimises truck loads by 87%, reducing carbon footprint and saving transport costs.

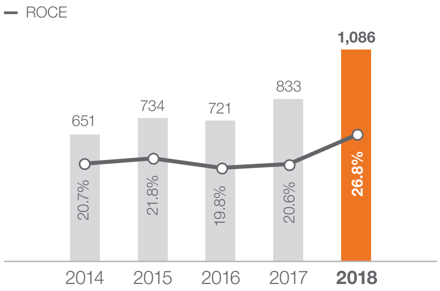
Segment revenue
€ million

€4,108m



Underlying EBITDA
€ million

€1,086m



Production information

		2018	Restated[1] 2017
Containerboard	'000 tonnes	2,530	2,297
Kraft paper	'000 tonnes	1,118	1,206
Softwood pulp	'000 tonnes	1,986	2,010
Hardwood pulp	'000 tonnes	714	547
Corrugated board and boxes	million m²	1,635	1,650
Industrial bags	million units	5,255	4,952
Extrusion coatings	million m²	1,230	1,281

Financial performance

€ million	% change	2018	Restated[1] 2017
Segment revenue	10%	4,108	3,735
Underlying EBITDA	30%	1,086	833
Underlying EBITDA margin		26.4%	22.3%
Underlying operating profit	41%	841	596
Special items		(73)	3
Capital expenditure cash payments		469	398
Operating segment net assets		3,804	3,246
ROCE		26.8%	20.6%

Sustainable development

		2018[2]	Restated[1] 2017
TRCR[3]	per 200,000 hours worked	0.85	0.88
Gender diversity	% women employed	20	21
Training hours	thousand hours	348	368
Energy consumption	million GJ	58.70	59.99
Scope 1 and 2 GHG emissions	million tonnes CO_2e	1.17	1.25
FSC- or PEFC-certified wood procured	%	63	66
Environmental management certification	% operations certified to ISO 14001 standards	55	49
CoC Certification	% operations certified to FSC or PEFC CoC standards	59	67

1 Refer to notes 2, 32 and 33 in the notes to the combined and consolidated financial statements for basis of restatement
2 2018 excludes Powerflute and Egyptian industrial bag plants acquired during the year
3 2017 TRCR has been restated to include acquisitions completed in 2016 and 2017

Financial review

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.

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.

Delivering on our strategy

Strategic value drivers	Progress in 2018	2019 priorities
Drive performance along the value chain	→ Implemented and realised benefits from operational and commercial excellence programmes → Focused on leveraging our cost-advantaged production footprint through plant network optimisation initiatives → Continued to develop our asset management system and recovery boiler optimisation programme to further improve reliability and technical integrity	→ Continue commercial and operational excellence efforts across our site network → Further focus on enhancing efficiency and reliability of our pulp and paper assets → Leverage digitalisation opportunities when available
Invest in assets with cost advantage	→ Commissioned the modernisation of Štětí (Czech Republic) → Received the final necessary permitting and proceeded with new paper machine investment at Ružomberok (Slovakia) → Approved and progressed with several investments in our converting plant network	→ Ramp-up modernisation project at Štětí → Progress with the new paper machine investment at Ružomberok and complete the related pulp mill upgrade → Progress with investment at Bupak (Czech Republic) and Ansbach (Germany) and speciality kraft paper investment conversion at Štětí
Inspire our people and grow responsibly	→ Improved safety performance during annual mill shuts → Continued community and employee engagement → Reduced our carbon footprint	→ Continued focus on growing our safety maturity and reducing our environmental footprint → Realise environmental benefits from the recently completed Štětí mill modernisation → Focus on talent attraction and retention initiatives
Partner with customers for innovation	→ Completed the acquisition of Powerflute (Finland) and two industrial bag plants in Egypt → Improved customer interaction through developing and enhancing digital service platforms and hosting events such as the first European shopping bag summit → Partnered with our customers to develop lighter, stronger and high performance solutions	→ Leverage recently implemented customer platforms and develop similar tools in our converting businesses → Continue to partner with our customers to develop sustainable fibre-based packaging solutions

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.

A planned maintenance shut at our Syktyvkar mill (Russia) and an extended shut at Richards Bay (South Africa) 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.

High-tech corrugated production at Mondi Świecie

Drive performance along the value chain

We continued to benefit from our ongoing operational excellence initiatives, driving productivity and efficiency, minimising waste, delivering procurement savings and enhancing our quality systems. During the year we achieved annual production records at 10 of our paper and pulp drying machines. We also focused on our supply chain, including a programme to improve our mills' ocean transport system, which will reduce costs and improve effectiveness, service quality and reliability.

During the year, our converting operations continued with initiatives to pass through raw material price increases, especially paper input costs. Our corrugated packaging business is also developing digital dynamic pricing tools to support our performance in this area.

To further improve the reliability and technical integrity of our pulp and paper operations and reduce maintenance costs we continue to develop our asset management processes, including the implementation of specific training to enhance the skills and qualifications of our people across our mill network. We also established a programme to optimise the performance of our recovery boilers, which we expect will deliver energy savings, enable best-practice sharing and continue to improve the reliability of our operations.

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. In June, we completed the sale of a flat sack kraft paper mill in Pine Bluff, Arkansas (US), with 130,000 tonnes of annual production capacity.

Invest in assets with cost advantage

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 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 bag 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.

We continue to invest in our converting plant network. We are expanding our industrial bag plant in Abidjan (Côte d'Ivoire) with a second line to service our customers' growing needs. We have approved investment plans at our corrugated plants in Bupak to broaden its capabilities, reduce conversion costs and focus on growing e-commerce applications; and in Ansbach to grow with our customers, reduce conversion costs and secure the plant's long-term competitiveness as a leading heavy-duty corrugated packaging supplier. Our team continually seeks capital investment opportunities across our plant network to leverage our exposure to faster growing regions while remaining disciplined in our focus on investing in cost-advantaged assets.

Inspire our people and grow responsibly

We continue to minimise the top safety risks in our operations to improve our year-on-year performance. While we saw safety improvements at our mills during planned annual maintenance and project-related shuts, we unfortunately noted an increase in incidents relating to hazardous substances as well as rotating and moving equipment, which will be focus areas in 2019. We also regret two life-altering injuries in 2018 – a severe injury to the lower left arm of an employee at our Štětí mill and a finger amputation of an employee at Świecie. Our 2019 efforts will concentrate on supporting underperforming operations and keeping up the positive momentum at those operations where we are achieving our safety milestones. We are pleased with the improvements in our safety performance across our converting operations and have identified opportunities to use digital tools to assist us in managing machine shutdowns and lockdowns more safely, which we will focus on in the coming year.

We aim to be an employer of choice focusing on attracting and retaining employees. We also have several mills where a number of key employees will be retiring in the coming years and we are therefore defining specific action plans to attract talent, create a stronger culture of employee recognition and ensure we retain a high-performing workforce.

The recently completed Štětí mill modernisation project will make the mill energy self-sufficient and is expected to further reduce our GHG emissions. We also improved the condensate treatment at our Stambolijski mill (Bulgaria) by installing a new condenser for foul condensate stripping including incineration of malodorous gases in the recovery boiler. In 2019, we plan to invest in our Frantschach mill (Austria) to reduce malodourous gas emissions.

Our annual 'Making a Difference Day' provided an opportunity to engage with local communities and educate our employees through training programmes focusing on the prevention of leakages and spills and the transport of hazardous material. During the year we also hosted a number of events including visits by local students, family days and community open days. We see benefits from these activities including improved community-site cooperation, local environmental and safety and health awareness, understanding of our industry, and support for the development of a pool of local technical skills.

Partner with customers for innovation

In June 2018, we completed the acquisition of Powerflute, 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.

We continue to evolve our customer interaction and partnership using digital solutions. We updated and enhanced our digital technical sales service platform 'corrugated-paper-expert.com' which supports our containerboard customers 24/7 in developing the most suitable corrugated board structure and resolving production issues they may encounter.

Our converting operations continue to focus on partnering with our customers to develop innovative solutions. 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. As an example, our HYBRID^{PRO} bag combines a high-density polyethylene outer ply with our Advantage ONE sack kraft paper meaning the packaging can resist rain and protect the primary product yet can still be used on conventional paper bag filling systems. The plastic and paper plies can be easily separated and recycled and, because the bag uses two rather than three plies, less material is used.

Industrial Bags won the Eurosac Grand Prix award for MailerBAG, an innovative light-weight, recyclable and reusable paper bag solution for e-commerce packaging designed to lower logistic costs and accelerate the packaging processes.

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.

For example our WorldStar award winning Glass7Box is a corrugated box with a shock-absorbent structure created to accommodate different products. It was designed for premium glass brand Riedel to reduce the complexity of the packaging process and offer greater flexibility when packing a broad range of glasses.

Mondi's point-of-sale Baca Stand, a previous WorldStar award winner, is an easy forming, tape-free corrugated display solution consisting of modular trays with a mid-support structure that enables simple and fast filling during production, as well as easy access for end-consumers. It is more efficient as it uses 46% less material and requires 20% less handling time per pallet compared to conventional stack boxes.

In April 2018, Mondi hosted 'Let's paper the world', the first European shopping bag summit bringing together leading converters, suppliers and customers to collaboratively address the fast growing needs for sustainable paper-based shopping bag solutions and to showcase our 'shoppingworld by Mondi' product range. Read more in the case study that follows.

1 The WorldStar awards are open to packaging organisations across the world. Judges look for sustainable solutions to packaging challenges, demonstration of enhanced user convenience and reduced material waste. 2019 winners were announced in December 2018

Mondi Diamond Awards
Mondi Świecie

Don't waste the waste

Winner in Sustainable Development category

Project leaders:

Hanna Glowala
Environmental specialist, Mondi Świecie (above)

Magdalena Michalczyk-Krakowiak
Environmental Protection & Laboratory Manager, Mondi Świecie

People generate a huge amount of waste. For example, the European Union produces up to 3 billion tonnes of waste every year[1]. Some goes to landfill, potentially leading to hazardous compounds in our soil and water, and some ends up polluting our environment or oceans. Ecosystems suffer as a result, and each of us are exposed to the harmful effects of waste.

This is a crisis impacting our future, and our children's wellbeing. But we can all make a difference – and at Mondi Świecie, we are doing just that.

Our site produces a significant amount of waste – about 200,000 tonnes a year. In 2003, 100% of it went to landfill. So we set out to reverse that by getting everyone across the value chain to work together to bring about change.

We investigated the waste recipient market, finding contractors able to convert our waste into usable resources. We did extensive research and engaged with a wide range of people, securing 20 to 40 partner contracts per year between 2004 and 2017. In addition, by 2008 we had completely discontinued ash landfill from our coal boilers; dregs and sludge landfill; and furnace waste landfill.

It has taken us fourteen years, but we have succeeded. Today just over 1% of our waste goes to landfill – absolutely everything else is recycled and reused.

And that last 1%? We're working on it!

1 http://ec.europa.eu/environment/waste/pdf/WASTE%20BROCHURE.pdf

Spotlight on 'Let's paper the world 2018'

Challenges, opportunities and new ways of working were the topics of the day at 'Let's paper the world 2018', Europe's first shopping bag summit, hosted by Mondi.

Leading shopping bag converters, suppliers and customers came together in April in Prague (Czech Republic) for Let's Paper the World 2018.

Participants included global brands Benetton, H&M and REWE Group; bag manufacturers; papermakers and paper associations; ink and glue producers; bag machine manufacturers; and market intelligence leader Mintel.

There were four top takeaways from this pivotal summit.

Gone are the days of the 'simple' paper bag

Today's paper shopping bags are engineered for specific applications within the food and non-food industry. For example a shopping bag produced by bag maker Litobal, with a sophisticated, full-colour flexoprint on Mondi speciality kraft paper, is proven to carry up to 25 kg (food retail bags must carry at least 12 kg), made of credibly certified fibre, and guaranteed safe for contact with food.

Producing high-performance shopping bags like these is a technical feat that takes skill, advanced technology and the highest quality materials.

Sustainability is no longer an option – it's a necessity

Shopping bags made of credibly certified fibre and designed to biodegrade, or be easily recycled or reused, are no longer a niche product for boutique brands. Today, sustainability is mainstream.

Richard Cope, Senior Trends Consultant at Mintel, shared examples from around the world of how consumer expectations have shifted for sustainability and packaging: "Consumers expect companies to set the sustainability agenda. They expect brands to be ethical on their behalf."

Demand for certified fibre is outstripping supply – sustainable forestry needs more focus

While rising consumer demand for sustainable packaging is a good thing, a clear effect is that demand for sustainable fibre is growing. With just 11% of the world's forests being certified, one of the biggest challenges is meeting the increased demand for certified fibre.

"We all want to increase the share of certified fibre," said Tanja Dietrich-Hübner of REWE International, "but while organic and fair-trade food certifications are widely recognised, FSC and PEFC certifications are not well known to consumers."

Collaborate to meet new challenges in the paper bag industry

Another important takeaway from the summit is the need for more exchange and partnerships to innovate for what's coming, including the growth of e-commerce and the circular economy.

More collaboration along the supply chain between product managers, technical sales and service, R&D, suppliers (including paper, inks and glues), end users, retailers – and even foresters – will be needed to develop the perfect paper bags for tomorrow's needs.

Business reviews

Consumer Packaging

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

Operating sites

29 in 12 countries

Employees

6,000

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

Sustainable development is integral to our responsible and profitable growth, and part of our everyday work. Our focus is on prioritising the responsible use of resources, and working with customers and partners across the value chain to find the most useful and sustainable packaging solution for each of their products. This means more convenient, more comfortable, more efficient, faster, lighter, stronger and easier to use or recycle.

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

We produce highly specialised technical films and film-based solutions for a variety of uses and industries. It is all about innovating new technical features to improve functionality and reliability. Products include high-barrier films for sophisticated packaging solutions, films for demanding surfaces or technical components in automotive and light-weight design as well as high-quality label films.

Our personal care components prioritise comfort in diapers, adult incontinence and femcare products including soft nonwovens, unique stretchy elastic films and laminates, mechanical fastening components and wrapping films.

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

Spotlight on sustainable packaging by design

Aluminium-free packaging for Nestlé coffee

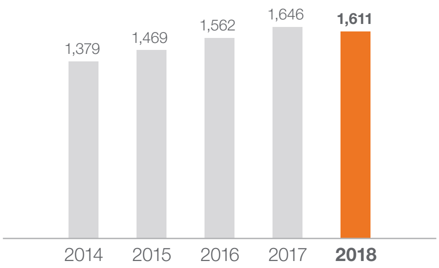
We supply aluminium-free barrier laminates to Nestlé for the leading Swedish coffee brand Zoégas. The transparent laminate is made of recyclable polyolefin material which has high barrier properties that preserve the taste and aroma of the coffee for its entire shelf-life. We are working on various projects to further support the whole Nestlé Group in meeting common short and long-term sustainability targets including resource optimisation, delivering packaging solutions made from renewable materials and ultimately fulfilling the circular economy model.

A lighter, recyclable spout bag for Werner & Mertz

We've been working with Werner & Mertz since 2014 to reinvent the way they make their detergent packaging. The project was truly ambitious. It was not about developing flexible plastic packaging that is only theoretically recyclable but still likely to end up in landfill. Rather, the design aim was to 'reverse-engineer' the recycling process to create packaging fit for every stage of the recycling process. By moving to a 100% recyclable mono-material we were able to achieve a 70% material reduction versus their rigid packaging alternatives.

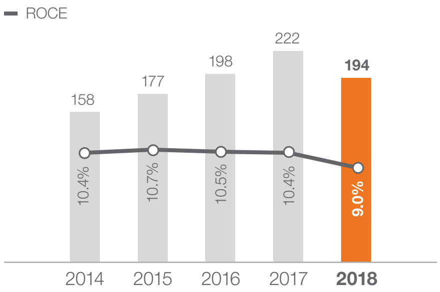
Segment revenue
€ million

€1,611m



Underlying EBITDA
€ million

€194m



Financial review

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 sub-segment 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.

Drive performance along the value chain

During the year we increased our focus on commercial excellence initiatives to drive product mix improvements. We also continued working on operational improvements to reduce waste and further improve our productivity and efficiency. We streamlined production across our network, and relocated machinery to plants where they could be better utilised. We continue to investigate further opportunities to drive performance and optimise our asset base. Continuous improvement initiatives will again be in focus during 2019.

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.

To reduce costs and further enhance our product, service and process quality standards for our customers, we strengthened our quality management systems by improving the way we measure and report on quality related initiatives. This helps us to ensure best-practice sharing across our plant network so that we can implement specific action plans where required.

Production information

		2018	2017
Consumer packaging	million m²	7,278	7,437

Financial performance

€ million	% change	2018	Restated[1] 2017
Segment revenue	(2)%	1,611	1,646
Underlying EBITDA	(13)%	194	222
Underlying EBITDA margin		12.0%	13.5%
Underlying operating profit	(14)%	115	134
Special items		(32)	(49)
Capital expenditure cash payments		79	91
Operating segment net assets		1,311	1,326
ROCE		9.0%	10.4%

Sustainable development

		2018	2017
TRCR[2]	per 200,000 hours worked	1.03	1.26
Gender diversity	% women employed	22	24
Training hours	thousand hours	134	128
Energy consumption	million GJ	2.69	2.76
Scope 1 and 2 GHG emissions	million tonnes CO_2e	0.25	0.26
Environmental management certification	% of operations certified to ISO 14001 standards	83	84
Hygiene certification	% food contact operations certified to recognised food hygiene standards	100	94

1 Refer to notes 32 and 33 in the notes to the combined and consolidated financial statements for basis of restatement
2 2017 TRCR has been restated to include acquisitions completed in 2016 and 2017

Business reviews
Consumer Packaging

Delivering on our strategy

Strategic value drivers	Progress in 2018	2019 priorities
Drive performance along the value chain	→ Ongoing commercial and operational initiatives to optimise productivity and reduce waste as well as enhance our quality management systems → Restructuring and relocation of assets within the plant network to lower the cost base and optimise machine utilisation	→ Ongoing continuous improvement initiatives to foster productivity and drive efficiency → Investigate opportunities to optimise our plant network
Invest in assets with cost advantage	→ Progressed with key expansion projects at our cost-advantaged locations	→ Complete expansion capital investment projects currently underway → Optimise recent investments
Inspire our people and grow responsibly	→ Continued focus on growing our safety culture through best practice sharing, training and engagement → Ongoing drive to decrease the environmental impact of our products and processes and endorsed the EMF New Plastics Economy Global Commitment	→ Further focus on improving our safety record and initiatives to engage our workforce → Continue to work with stakeholders to improve the sustainability of flexible packaging products
Partner with customers for innovation	→ Developed innovative solutions in partnership with our customers: – with a focus on flexible packaging solutions designed for recycling – that deliver a successful proposition for our customers and the end consumer	→ Continue to partner with customers to develop innovative and more sustainable solutions

Invest in assets with cost advantage

We have completed most of our investment plans at our cost-advantaged locations in central and eastern Europe, upgrading and expanding our plant capabilities. Our investment in the Amphor Khowyoi plant (Thailand) is progressing well, with completion expected by mid-2019.

In recent years, we have invested significantly in the modernisation and growth of our Consumer Packaging business. While further capital investment opportunities in this business remain an option, we are currently focused on the optimisation of our existing operations including leveraging recently completed investments as well as completing current capital investment projects underway.

Inspire our people and grow responsibly

In 2018 our safety focus has been on standardising best practice processes across our plant network and implementing employee engagement and training initiatives in response to safety incidents during the year.

For example an incident in our Bekescsaba (Hungary) operation prompted us to increase our training on fire and explosion risks, and we rolled this programme out across our business to build awareness and prevent future accidents. We are also increasing the use of digital solutions in our safety processes to improve quality and efficiency throughout our operations.

Unfortunately, we saw a life-altering injury at our Gronau (Germany) operation related to moving and rotating equipment, which remains one of our highest safety risks and therefore continues to be a focus going forward. We have implemented a number of actions to address the issue, including participation in the newly appointed working group focusing on moving and rotating equipment and isolation and locking out of energy sources.

Becoming an employer of choice is a topic that has been at the forefront in 2018. At our annual business unit management conference roles of key internal stakeholder groups were defined and 10 employee needs, such as job security, safe work environment, personal contribution and training opportunities, were identified. Specific plant action plans to address these needs have been implemented throughout our plant network.

The environmental impact of flexible plastic packaging continues to gain attention, both externally and internally. We are working with partners across our value chain to reinvent flexible plastic packaging so that it is fit for a circular economy. Evidence shows that flexible plastic is often the most sustainable solution over the course of its life-cycle, if it is disposed of responsibly.

We are active participants in industry associations including the CEFLEX project (Circular Economy for Flexible Packaging). In addition to stimulating increased collection of flexible plastic packaging in all European countries, CEFLEX aims to develop a robust set of design guidelines to maximise overall resource efficiency and optimise recyclability.

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.

We also continue to work on improving our energy efficiency and reducing our waste to landfill.

Partner with customers for innovation

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.

One of the most significant developments in 2018 was the momentum gained in the way we are working with customers to develop innovative and sustainable flexible plastic packaging. The New Plastics Economy Initiative has rallied businesses and governments behind a positive vision of a circular economy for plastics. It has brought together 290 signatories, including many leading companies, who have committed to working towards 100% reusable, recyclable, or compostable plastic packaging by 2025.

As part of a Mondi-led pioneer project, we have made great progress in developing a solution for FMCG brand owners. Thanks to collaboration with Europe's leading recyclers and Mondi sites – testing by the pilot plant of Mondi Gronau, co-extrusion of film by Mondi Styria (Austria), printing and lamination at Mondi Deeside (UK) with pouching at Mondi Nelson (UK) – we have been able to show that it is possible to separate and recycle polyethylene from post-consumer waste into a fully recyclable packaging prototype. This can now lead the market by proving that true circularity of packaging production, use, recycling and reprocessing is possible.

In a further collaborative project, we continue to work on the circularity of other products. Together with a recycling partner (APK AG) – who have developed a process called Newcycling® – Mondi has tested the suitability of recycled polyethylene (PE) for multi-layer films by designing a new plastic packaging solution for washing powder that replaces up to 80% of the previously virgin PE layer with post-industrial waste. The result is a high-quality packaging laminate that maintains the functionality requirements of our customer, reduces the demand for virgin fossil based PE and achieves a packaging solution containing up to 50% recycled materials.

In our personal care components product portfolio, we are developing the next generation of back ear laminates for diapers with the application of alternative bonding technology. This is expected to deliver efficiency improvements and raw material savings while retaining the diaper's softness and elasticity properties. We also partnered with our customers to develop enhanced, cost effective personal care components solutions, tailored for consumers in a range of markets and regions.

Mondi Diamond Awards
Mondi Korneuburg

SHE goes Hollywood

Winner in Safety & Health category

Presenters:

Stephanie Schmuttermair
Continuous Improvement Manager – HR People Development, Mondi Korneuburg

Michael Watz
SHE coordinator, Mondi Korneuburg

Making sure our people work safe and get home safe is our top priority.

With people from 24 nations speaking 18 different languages all working on the shop-floor together, creating an effective safety-training programme is extremely challenging.

Although our safety culture had improved, we felt our conventional training approach had reached its limit. We decided it was time to take SHE to Hollywood!

With a special task force, we created safety videos with safety champions as screenwriters and employees as actors. The videos deal with very serious safety topics using a targeted sense of humour – and they don't rely on text or language. The exaggerated re-enactments of common accidents and appropriate safety behaviour allow viewers to easily identify with the correct way of doing things. By showing our people what to do – rather than telling them – we enabled a real change in mindset. As a result we have reduced annual cut injuries from five in 2016 to zero in 2018, and sustainably lowered the training time required per employee as the videos are so effective.

We are proud of creating a sustainable safety culture that helps all employees – regardless of nationality or language – lead safer professional and personal lives. Through visual, humorous teaching tools that employees have helped to create, we have implemented truly successful safety training – which other Mondi plants are keen to adopt.

Uncoated Fine Paper

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

Operating sites

6 in 4 countries

Employees

6,500

Production capacity

Pulp: 1,725 ktpa

Uncoated fine paper[1]: 1,915 ktpa

1 Includes 205 ktpa of newsprint

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

Our extensive range of office papers is designed to achieve optimal print results on laser, inkjet and copy machines. High-performance professional printing papers are dedicated for offset presses, high-speed inkjet presses and other digital print technologies. With our wide range of high-quality papers we aim to provide customers a one-stop-shop solution for their needs. We understand the value of paper in communication including haptic and optic qualities such as vibrant colours, sharp contrast and striking visuals that bring stories to life.

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

All of Mondi's UFP mill brands are part of the Green Range, our umbrella trademark for sustainable paper solutions. They are produced from FSC or PEFC certified wood from sustainably managed forests or 100% recycled paper, or are produced totally chlorine free (TCF).

In addition to producing pulp and paper, we manage 2.4 million hectares of forest in Russia and South Africa.

Spotlight on sustainable paper by design

PERGRAPHICA® – Premium design papers

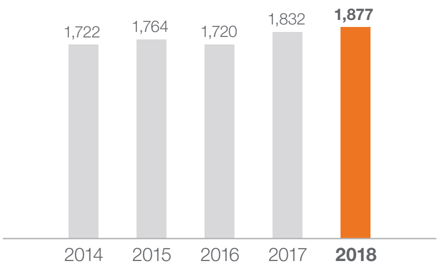
We designed our PERGRAPHICA® portfolio of premium uncoated fine papers for perfectionists. As a hybrid paper, PERGRAPHICA® works well with all printing technologies and delivers consistent, high-quality results that meet the exacting needs of the creative and commercial print industries. Available in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

Color Copy – The perfect paper for digital colour printing

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

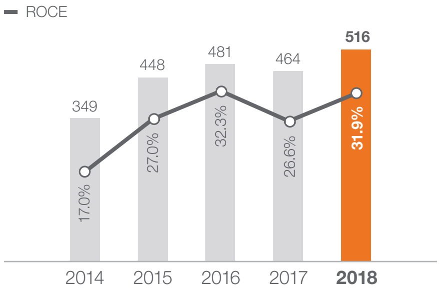
Segment revenue
€ million

€1,877m



Underlying EBITDA
€ million

€516m



Production information

		2018	2017
Uncoated fine paper	'000 tonnes	1,649	1,644
Hardwood pulp			
Internal consumption	'000 tonnes	906	950
Market pulp	'000 tonnes	338	395
Softwood pulp	'000 tonnes	386	375
Newsprint	'000 tonnes	207	277

Financial performance

€ million	% change	2018	Restated[1] 2017
Segment revenue	2%	1,877	1,832
Underlying EBITDA	11%	516	464
Underlying EBITDA margin		27.5%	25.3%
Underlying operating profit	17%	395	337
Special items		(21)	(15)
Capital expenditure cash payments		161	122
Operating segment net assets		1,494	1,515
ROCE		31.9%	26.6%

Sustainable development

		2018	2017
TRCR	per 200,000 hours worked	0.40	0.28
Gender diversity	% women employed	23	23
Training hours	thousand hours	334	333
Energy consumption	million GJ	91.76	93.25
Scope 1 and 2 GHG emissions	million tonnes CO_2e	3.38	3.38
Forest certification	% managed land certified to FSC standards[2]	100	100
FSC- or PEFC-certified wood procured	%	78	80
Environmental management certification	% operations certified to ISO 14001 standards	100	100
CoC Certification	% operations certified to FSC or PEFC CoC standards	100	100

1 Refer to notes 32 and 33 in the notes to the combined and consolidated financial statements for basis of restatement
2 Our forestry operations in Russia are also 100% PEFC certified

Financial review

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.

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 Syktyvkar mill (Russia) and an extended shut at Richards Bay (South Africa) were completed during the first half of the year. In the second half, we completed planned shuts at Ružomberok (Slovakia) 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.

Delivering on our strategy

Strategic value drivers	Progress in 2018	2019 priorities
Drive performance along the value chain	→ Improved productivity and efficiency with performance improvement initiatives implemented across mills and related forestry operations → Closure of an uncoated fine paper machine in Merebank (South Africa)	→ Continue to optimise performance and increase productivity and efficiency in our mills and forestry operations
Invest in assets with cost advantage	→ Continued with investment projects to debottleneck production at Syktyvkar → Completed waste water treatment plant investment and progressed on the power plant modernisation at Syktyvkar → Acquisition of 11,000 hectares of well-located forestry plantations in KwaZulu-Natal (South Africa)	→ Evaluate and execute investment projects to increase saleable production by 100,000 tonnes per annum in the medium term at Syktyvkar → Investigation, and where appropriate implementation, of investment projects to modernise our Richards Bay facility
Inspire our people and grow responsibly	→ Ongoing focus on safety → Investments and engagement with local communities → Initiatives to develop talent within the organisation	→ Continued focus on improving safety record → Complete investments to reduce the environmental footprint of our mills and increase energy efficiency
Partner with customers for innovation	→ Rolled out myMondi to include a majority of our customers by the third quarter of 2018 → Reorganisation of European marketing and sales force to product/channel focus	→ Continued enhancement of myMondi → Continued focus on enhancing our service offering to customers

Drive performance along the value chain

Efforts to drive the performance of our operations and reduce waste continued during the year with initiatives to optimise machine performance and increase efficiency and productivity leading to record production at one of our pulp mills and three of our paper machines.

To further improve the reliability and technical integrity of our pulp and paper operations and reduce maintenance costs we continue to develop our asset management processes, including the implementation of specific training to enhance the skills and qualifications of our people across our mill network. We also established a programme to optimise the performance of our recovery boilers, which we expect will deliver energy savings, enable best-practice sharing and continue to improve the reliability of our operations.

We made further productivity improvements at our forestry operations in Russia and, by further strengthening our local partnerships, improved wood availability and saw log sales. We also focused on improving our administrative processes at Syktyvkar. During the year we placed special attention on operational improvements at our South African operations by developing improvement plans for both our Richards Bay and Merebank mills focusing on reliability improvements, increased operational efficiencies and cost reductions across the value chain. These initiatives have delivered initial benefits in the year.

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 during the second half of the year, which was operating at 70,000 tonnes per annum production capacity.

Invest in assets with cost advantage

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.

At the end of the year, we completed the investment in the waste water treatment plant at Syktyvkar, which will improve waste water quality and reduce chemical oxygen demand and total suspended solids. We are progressing with the rebuild of the power plant at the same mill to replace three existing bark boilers and four turbines with a single new bark boiler and turbine providing process simplification, improved reliability, reduced costs, reduced natural gas consumption, increased use of biomass for energy and reduced greenhouse gas emissions. This project is now expected to complete in the second half of 2019. The total capital expenditure for both projects now amounts to €175 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 in May 2018 for ZAR408 million (€27 million) on a debt and cash-free basis.

We are investigating alternatives for the modernisation of our Richards Bay facility, including the modernisation of the mill's energy and chemical plants.

Inspire our people and grow responsibly

We remain committed to achieving a culture where everybody works safely and returns home safely every day. We sincerely regret the fatality of a contractor at Syktyvkar in April 2018 during planned maintenance work at the woodyard, and 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. Unfortunately, we also suffered two life-altering injuries at our Syktyvkar logging operations in Russia and our forests in South Africa. Thorough investigations are conducted after all incidents and action plans implemented to prevent repeat incidents.

Our focus on contractor safety management, application of Mondi's risk assessment methodology and roll out of the revised Permit to Work methodology aims to ensure safe annual maintenance and project-related shuts.

We are on track with our efforts to eliminate the Top Risks, which remain a key part of our approach to safety. The majority of our first line managers have completed our tailor-made safety and health programme, and all safety and health professionals completed a four-module in-depth specialist training.

We continually strive to improve the environmental performance of our operations. Odour abatement is still a priority for our pulp mills. We have completed the planned initiatives at our Ružomberok mill, however, regrettably we have had significant odour incidents at both our Ružomberok and Richards Bay mills affecting the surrounding communities. We have engaged constructively with local stakeholders around our action plans to address the root causes and prevent future occurrences.

Working in partnership with NGOs, government and business is central to our approach. We are working to increase the long-term supply of sustainable fibre, including collaborating with global certification schemes to improve access to credibly certified fibre. We are proud of our progress in protecting Intact Forest Landscapes as these large unfragmented areas, undisturbed by roads or other significant human infrastructure, are globally recognised as priority protection areas. In Russia, we partner with WWF Russia and Silver Taiga to identify and protect these areas in the Komi Republic.

We have an extensive community engagement and investment programme focused on areas around our mills and people living on our forestry land. We believe that small and medium enterprises (SMEs) in the forestry business can help to meet projected demand for wood-based products. They are also crucial to supporting local livelihoods and the wellbeing of forest communities. In Russia, our Syktyvkar mill supports small-scale forest enterprises who would normally have limited access to resources. In 2018 we continued to invest in community engagement programmes in and around our operations, particularly in Russia and Slovakia, ranging from infrastructure investments and roads to sponsorship of sporting and other local initiatives.

We have developed programmes to ensure we have the right talent and succession plans to deliver on our long-term strategic targets, even in remote locations such as Syktyvkar.

NEXT (New thinking, Expertise and Talent) is a Syktyvkar initiative that combines external expertise, internal development and promotions, leadership excellence and university partnerships resulting in improved talent attraction, productivity and employee engagement. In South Africa, our GROW (Growing Trees Developing People) initiative is focused on developing a strong pipeline of forester skills through accredited training programmes that are calibrated and benchmarked through a Forestry Learning Centre which has resulted in a significant increase in workforce engagement.

Partner with customers for innovation

Following its introduction in 2017, we rolled out myMondi to include a majority of our customers by the third quarter of the year. This 24/7 web shop and service portal provides customers with detailed product information, the ability to place and track orders, and the functionality to enquire and follow up on product and order related queries. MyMondi has enabled us to optimise our business processes and increase efficiency. We have had very positive feedback from our customers and plan to further enhance the services offered though this digital platform in 2019. With the launch of myMondi, the number of electronic order lines placed by our customers now exceeds two thirds of all European order lines.

During 2018 we re-organised our European marketing and sales organisation from a regional to a channel focus, which allowed us to develop more end-user and application expertise. This change will further cement commercial excellence, deliver improved customer service and strengthen the efficiency of our organisation. The new organisation is supported by newly added functionalities, incorporated into our cloud-based CRM platform, which will further enhance customer experience.

Mondi Diamond Awards
Mondi South Africa

Jabulani Agri-Village Model – a model for future success

Finalist in Sustainable Development category

Presenter:

Thobi Mkhize
Head of Land, Mondi South Africa

Our plantation forests are integral to meeting the timber requirements of our Richards Bay pulp mill, and therefore essential to the long-term success of the business. Our journey began eight years ago when we had 62 impoverished villages living in unsafe conditions on Mondi land. The communities were understandably frustrated, trust levels were low and it was clear that things needed to change.

So we set out to drive our business success by helping our communities thrive. The result: a rural community transformation model that has been adopted countrywide to address land tenure and reform challenges. By amalgamating five small villages into one sustainable agri-village we leveraged infrastructure synergies, improved safety, reduced risk to our timber supply and most importantly empowered the community. Responding to the project, they sang Jabulani – meaning happiness.

The pilot Jabulani Agri-Village Model works so effectively because it has been developed through multiple partnerships and is multidimensional – looking at land tenure, food security, sustainable and affordable services, social infrastructure, skills development, and income enhancement programmes. It is also reproducible – our pilot project has given 110 poor and vulnerable households from five villages a better life, and a further eight agri-villages built on the same principles will transform the lives of another 724 households.

We could not be prouder of the enormous impact and significance of this project, which demonstrates the vital link between the health of business and the communities in which they operate.

Being an employer of choice

We are determined to offer a safe, caring, diverse and inclusive workplace where people can grow to their full potential. Communicating openly and getting regular feedback on how we are doing is key, as is measuring progress through our group-wide employee survey.

89%
Participation rate in our 2018 employee survey

We have an ambitious sense of purpose and offer exciting careers in a workplace where digital and human ingenuity work together.

Michael Hakes
Group HR Director

Our diverse team at Mondi Korneuburg developed an innovative way to involve people in safety training.

Business review: Consumer Packaging
Page 79

Governance

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Introduction from Joint Chairs

Our commitment to growing responsibly

Dear fellow shareholder

We would like to take this opportunity to provide you with a more detailed look at the Boards' key focus areas during the year, how our governance framework operates in practice and supports the achievement of our values and strategic objectives and how we have considered the interests of our investors and wider stakeholders.

Governance & Strategy

Our clear and consistent strategy, set out and discussed in more detail in the Strategic report on pages 12 to 83, is to deliver value accretive growth by focusing on our four strategic value drivers – to drive performance along the value chain; to invest in assets with cost advantage; to inspire our people and grow responsibly; and to partner with our customers for innovation. After the Boards' detailed review of Mondi's strategy during the year, we continue to believe that our approach remains appropriate and supports our commitment to delivering long-term value to shareholders.

The governance framework within which the Boards operate is designed to guide our behaviour in all areas of decision-making; to ensure a transparent and open-minded approach to discussions; and to keep our culture and values at the forefront when we consider how best to achieve our strategy. It allows us to balance our desire to drive the strategy forward with ensuring that we act in the long-term interests of the company to achieve the best outcome for our shareholders, and that we take seriously the views and interests of our diverse range of stakeholders.

Robust governance procedures ensure that we are acting ethically and safely and in line with our duties as directors. An overview of our engagement activities during the year can be found on pages 98 to 100.

This approach to governance is particularly relevant given the number of large capital investment projects that were ongoing during the year. Having clear policies and processes in place to govern the way in which we operate, from appropriate delegations of authority, to our approach to safety, local communities and the environment in which we operate, to our code of business ethics and Speakout, allows the Boards to approve such projects with a clear understanding of the impact they will have on our stakeholders and in the knowledge that they will be undertaken in a safe and considered manner.

Further information relating to Mondi's strategy and developments during the year can be found in the Strategic report on pages 12 to 83.

Board composition

In March 2018 we announced that John Nicholas would step down from the Boards, and from his role as audit committee chair, at the conclusion of the Annual General Meetings in May 2018 after almost nine years' service. We thank John for his significant contribution to Mondi during this time, in particular his focus on Mondi's financial reporting and the experience he brought to his role on the audit committee. We wish John all the best for the future.

In May 2018 we welcomed Stephen Young to the Boards. Stephen brings strong financial and general management experience as well as an in-depth understanding of working for an international industrial business. It is clear from Stephen's first few months with us that he is able to provide the Boards with an invaluable fresh perspective. Stephen also took up the role of audit committee chair following approval at the Annual General Meetings in May.

This led to a number of committee membership changes, details of which can be found on page 103, as well as the appointment of Stephen Harris as Senior Independent Director.

Safety

We were deeply saddened by the fatality at our Syktyvkar mill (Russia), when a contractor lost his life during maintenance of a conveyor in the woodyard. Tragically, we also experienced the fatality of a contractor at our Ružomberok mill (Slovakia) in January 2019 during pile drilling activities at the construction site of our new paper machine. In addition, we experienced five life-altering injuries during 2018. We are very aware of the profound impact such incidents have, particularly on the families of those involved, and so safety across our business remains our highest priority. In all instances, thorough investigations were undertaken and we were kept informed of the outcomes. We continue to strive for zero harm and this goal remains fundamental to the way we do business.

By growing responsibly we prioritise long-term value creation.

David Williams Joint Chair (left)
Fred Phaswana Joint Chair (right)

We continue to address the top risks in all of our operations in order to engineer them out of the business or, where this isn't possible, to implement robust controls. We work closely with contractors to manage their health and safety risks and have a clearly defined six-step process in place which is summarised in a Safe Practice Notice providing guidance on the management of contractors prior to and during their time on-site at Mondi. We also acknowledge the importance of the behavioural aspects of safety. In 2017 we introduced the 24-hour safety mindset, whereby safety is seen as something we do for ourselves, for our families, and for our colleagues and their families. In addition, we have implemented focused safety training for managing directors, first line managers and safety and health professionals and have established a number of working groups, each one focusing on a different risk area. Towards the end of 2018 we launched a powerful safety campaign aimed at the behavioural causes of serious incidents. The campaign involves employees who have experienced life-altering injuries telling their stories via videos and posters. Hearing their stories firsthand, while difficult and emotional to listen to, will hopefully drive home to people the day-to-day impact of our decisions in the workplace and the potentially severe consequences of unsafe behaviour.

We will continue to do everything we can to further embed a culture of safety across the organisation and to ensure that nothing is seen as more important than the well-being of our colleagues.

Culture & values

The Group's culture and values lie at the heart of our decision-making process and the way in which the Group operates. We believe that clear values and a focus on ethical behaviour allow the business to perform more efficiently and effectively and are supportive of our long-term strategy. Our values are clearly defined as part of the Mondi Way, our unique framework for creating sustainable value. This is explained in more detail on pages 18 and 19.

We know that our values are understood at a senior management level but our ongoing challenge is to ensure that they are effectively communicated throughout the organisation and that every person that works for Mondi understands them and feels confident every day that they are coming to work for a group that genuinely lives these values. The Boards are committed to ensuring that this is the case and that Mondi continues to operate in an ethical, open and transparent manner.

This is supported by our code of business ethics which consists of five principles governing the way in which we do business. The code is integrated throughout the Group and is well understood. The principles and our alignment with them are subject to regular review by the Boards.

In June, a number of our board members attended Mondi's Leadership Forum, an event for senior leaders, incorporating our regular Mondi Diamond Awards. This provided us with an invaluable opportunity to see our culture and values in practice, through speaking directly to a number of employees, observing behaviour and participating in a number of breakout sessions and discussion forums.

It was also impressive to meet the Mondi Diamond Awards finalists and to see firsthand the results of Mondi's innovation. More information can be found throughout the Strategic report.

Looking ahead

Our focus during 2019 will continue to be on moving our strategy forward within the framework of the Mondi Way, ensuring that the decisions we take reflect the culture and values of the Group, our stringent approach to safety and, wherever appropriate, the views and interests of our key stakeholders.

Subject to the approval of our shareholders at the Annual General Meetings in May, the Boards will also dedicate time to overseeing the smooth implementation of the proposed simplification of Mondi's existing structure from the current dual listed company structure into a single holding company structure under Mondi plc, announced in November 2018. The simplification is expected to enhance Mondi's strategic flexibility, increase transparency and remove the complexity associated with the current structure.

Our board discussions will be influenced by the new version of the UK Corporate Governance Code which took effect from 1 January 2019. Further details can be found below. We feel that we are in a good position to meet the requirements of the new Code during 2019, but also acknowledge that this will be an evolving process. We will need to adapt to ensure that we continue to have a fully effective governance framework in place that can contribute to, and support, the continued creation of sustainable value for our shareholders.

Fred Phaswana
Joint Chair

David Williams
Joint Chair

UK Corporate Governance Code 2019

The principles and provisions set out in the new Code have been reviewed in detail and, where gaps in our current practices were identified, proposals to address these have been considered and agreed. While we will report against the new Code in full in our 2019 report, actions included:

- → identification and agreement of our key stakeholders (see pages 22 to 25 for more information), the types of engagement currently undertaken and how we can better understand their views going forwards;
- → identification of a number of ways in which the Boards can develop their oversight of the Group's culture, many of which were already in place, including site visits, access to members of senior management beyond the executive directors, access to employee survey results and continued review of safety reports and Speakout statistics and themes; and
- → determining how the Boards can better understand the views of our people, their concerns and how our decisions affect them, with agreement reached in relation to appropriate engagement mechanisms.

We recognise that David Williams has been on the Boards for more than nine years, the maximum length of service recommended by the new Code. However, given the proposed simplification of the Group structure, announced in November 2018, and in light of David's significant experience, his in-depth understanding of Mondi's history and operations and the valuable insight he continues to provide, we are confident that it is in Mondi's best interests for David to remain on the Boards as Joint Chair. David has been on the Boards since Mondi's dual listed structure was established and is therefore in a position to provide invaluable support and continuity as the simplification progresses. The position will be kept under regular review.

Board of directors

Fred Phaswana
74
Joint Chair

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

Experience
Fred brings to the DLC Board a wealth of experience in African and global businesses, together with well developed strategic and commercial skills. He was previously regional president of BP Africa, a non-executive director of Anglo American plc and chair of Anglo American South Africa, Anglo Platinum, Transnet, Ethos Private Equity, the South African Energy Association and the Advisory Board of the Cape Town Graduate School of Business.

Fred was chair of Standard Bank group and The Standard Bank of South Africa between 2010 and 2015. He was also the former vice chairman of WWF South Africa and Business Leadership of South Africa and was the honorary president of the Cape Town Press Club.

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

David Williams
73
Joint Chair

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

Experience
David has significant experience in senior financial roles held across a range of multinational companies, with board experience as both an executive and non-executive director.

David served as finance director of Bunzl plc for 14 years before retiring in January 2006. He was previously a member of the Tootal management board and Finance Director of Tootal plc and has held a number of senior independent director and committee chair roles. David was formerly a non-executive director of the Peninsular & Oriental Steam Navigation Company, Dewhirst Group plc, Medeva plc, George Wimpey plc, Taylor Wimpey plc, Tullow Oil plc, Meggitt plc and Dubai-based DP World Limited.

David continues to contribute significant financial and business experience to the DLC Board and has an extensive understanding of Mondi and its history since listing.

External appointments
None.

Peter Oswald
56
Chief Executive Officer

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

Experience
Peter brings significant packaging and paper experience to the DLC Board, having worked in the sector for more than 27 years. He has detailed knowledge of operations and extensive experience in acquisitions, the restructuring, turnaround and organic growth of businesses and inspiring large teams. Peter began his career with Deutsche Bank and automotive company KTM. He joined the Frantschach Group in 1992 as the Head of Internal Audit, later becoming Corporate Controller.

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

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

External appointments
None.

Andrew King
49
Chief Financial Officer

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

Experience
Andrew has more than 16 years' experience with Mondi in various strategy, business development and finance roles, giving him a detailed understanding of Mondi's strategy, capital allocation priorities, financial structure and the environment in which the Group operates. He has played a key role in defining the Group's strategic direction and re-shaping the capital structure since listing.

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

External appointments
None.

Tanya Fratto
58
Non-Executive Director

Appointed
January 2017

Independent
Yes

Committee memberships
Audit, nominations, remuneration (chair)

Qualifications
BSc in electrical engineering

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

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

Stephen Harris
60
Senior Independent Director

Appointed
March 2011

Independent
Yes

Committee memberships
Audit, nominations, remuneration, sustainable development, social and ethics

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

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

External appointments
Chief Executive Officer of Bodycote plc.

Dominique Reiniche
63
Non-Executive Director

Appointed
October 2015

Independent
Yes

Committee memberships
Nominations, remuneration, sustainable development (chair), social and ethics (chair)

Qualifications
MBA from ESSEC Business School in Paris

Experience
Dominique has extensive business understanding of operating in senior leadership positions in Europe as well as international strategic, consumer marketing and innovation experience, allowing her to provide valuable insight to the DLC Board.

She started her career with Procter & Gamble before moving to Kraft Jacobs Suchard as Director of Marketing and Strategy where she was also a member of their executive committee. After helping Jacobs Suchard through its acquisition by Kraft-Mondelez, Dominique joined The Coca-Cola System in 1992, starting as Marketing and Sales Director and then holding various roles of increasing responsibility up to general manager France. From 2002 to early 2005 she was CEO Europe for Coca-Cola Enterprises and from 2005 she was CEO Europe for the Coca-Cola Company and then chair from 2013 until stepping down in 2014.

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

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

Stephen Young
63
Non-Executive Director

Appointed
May 2018

Independent
Yes

Committee memberships
Audit (chair), nominations, sustainable development

Qualifications
Graduated in mathematics from Southampton University, member of the Chartered Institute of Management Accountants (UK)

Experience
Stephen has a strong financial and general management background with experience gained internationally across a variety of sectors, including the industrial and engineering sectors. Stephen spent his early career in commercial accounting and finance roles at companies including Ford Motor Company, Mars, Inc and Grand Metropolitan plc (now Diageo plc). He was Group Finance Director of the Automobile Association until its acquisition by Centrica in 2000 before becoming Group Finance Director at Thistle Hotels plc.

In 2004 Stephen was appointed Group Finance Director at Meggitt plc, an international engineering business specialising in aerospace equipment. He held this role for nine years before being appointed Chief Executive Officer in 2013. Stephen stepped down from the board of Meggitt plc on 31 December 2017.

External appointments
Non-executive director and audit committee chair at Derwent London plc and at Weir Group plc

Corporate governance report

How the Boards operate

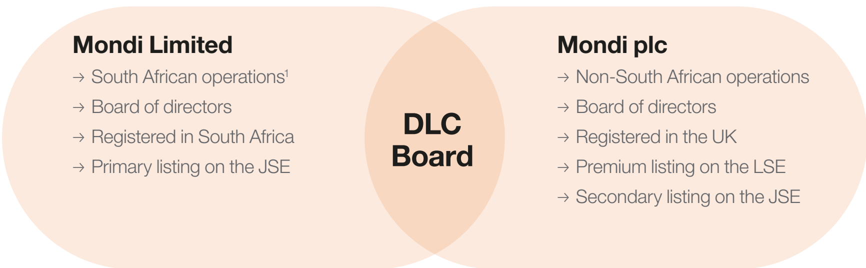
Mondi comprises Mondi Limited, registered and listed in South Africa, and Mondi plc, registered and listed in the UK. Each entity has its own board of directors comprising the same individuals. This enables the effective management of the dual listed company (DLC) structure as a single unified economic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

Leadership of the Boards comes from the Joint Chairs. Having joint chairs brings to the Boards a diversity of knowledge, experience and shared values. They have agreed a rolling agenda to ensure that all key matters reserved for the consideration of the Boards are covered in the annual cycle of meetings.

Agendas for each meeting are agreed with the Joint Chairs to ensure that, in addition to regular items, consideration is being given to matters that may impact the Group's operations from the wider economic or business environment. During 2018 for example, among a number of other presentations, the Boards received a presentation from an economist updating them on global market and economic trends and the longer-term economic outlook. Responding appropriately to the changing environment in which the Group operates is vital for Mondi's long-term success.

The Boards meet at least six times a year as a DLC board plus at least once each year as separate legal entity boards. Fred Phaswana chairs those meetings held in South Africa and David Williams those held outside South Africa, together ensuring the distribution of appropriate, accurate and well-presented materials, with meeting packs being circulated electronically a week before each meeting. Each board programme is usually held over two days enabling the directors to spend more time together and form a greater understanding of each other, developing a culture that allows each board member to feel that they are able to be open and transparent, encouraging discussion and challenge in the board room. The Joint Chairs ensure there is sufficient debate and consultation with management and advisers as well as between the directors themselves during meetings, allowing them to reach considered and effective decisions. As appropriate, other senior executives and advisers are invited to attend and present at meetings, providing the non-executive directors with a broader perspective on matters under consideration.

Board structure



Single unified economic enterprise

1 In addition, Mondi Limited owns a 50% interest in a subsidiary in Cote D'Ivoire

Compliance statement

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

It is the view of the Boards that Mondi has complied throughout the year with all the provisions of the UK Corporate Governance Code. The Boards are also of the view that Mondi has been in compliance with the principles of King IV.

Examples of Mondi's application of the provisions of the UK Corporate Governance Code and the recommended practices set out in King IV are found throughout this governance report.

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

The Boards note the publication of the new UK Corporate Governance Code, which took effect from 1 January 2019. We have reviewed the principles and provisions contained within the new Code and have implemented where appropriate changes to our policies and practices to ensure compliance with the new Code during 2019. More information can be found on page 87.

Composition of the Boards

The directors holding office during the year ended 31 December 2018 are listed below, together with their attendance at board meetings. As at 31 December 2018 there were eight directors: the Joint Chairs, four non-executive directors, each considered by the Boards to be independent, and two executive directors.

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

Those in office as at the date of this report, together with their biographical details, can be found on pages 88 and 89.

Directors	Mondi Limited board (one meeting)	Mondi plc board (one meeting)	DLC Board (seven meetings)
Fred Phaswana	1	1	7
David Williams	1	1	7
Tanya Fratto	1	1	7
Stephen Harris	1	1	7
Andrew King	1	1	7
John Nicholas[1]	1	1	2
Peter Oswald	1	1	7
Dominique Reiniche	1	1	7
Stephen Young[2]	1	1	5

1 John Nicholas retired from the boards of Mondi Limited and Mondi plc on 16 May 2018. John attended all meetings up to the time of his retirement from the Boards

2 Stephen Young joined the boards of Mondi Limited and Mondi plc on 1 May 2018. Stephen attended all meetings following his appointment

In addition, the Joint Chairs and the Non-Executive Directors met twice during the year. These meetings focus particularly on the performance of the executives although the agendas are driven by the non-executive directors themselves and cover a variety of topics. One of these meetings is attended by the Chief Executive Officer in order to provide input to the discussions on executive performance and succession.

Board policies and procedures

Professional advice

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

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

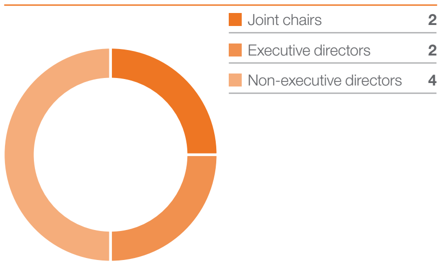
D&O insurance

Throughout the year to 31 December 2018, in line with market practice, Mondi maintained directors' and officers' liability insurance.

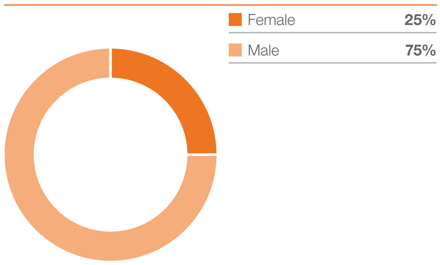
Procedure for conflicts of interest

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

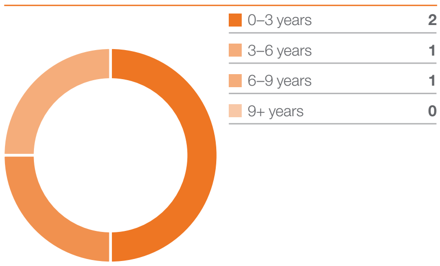
Composition of the Boards



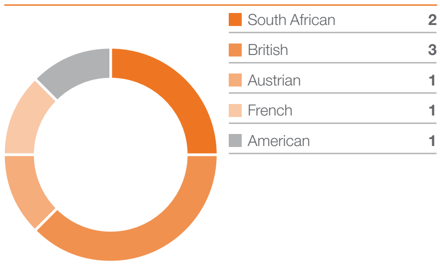
Diversity of the Boards
%



Non-executive director tenure



Nationalities represented on the Boards



Division of responsibilities

The division of responsibilities between the Joint Chairs and the Chief Executive Officer has been clearly defined and approved by the Boards. The functions and duties of the Senior Independent Director, a role to which Stephen Harris was appointed during 2018, are also set out in a separate statement.

Role	
Joint Chairs Fred Phaswana David Williams **Biographies** Page 88	→ lead and manage the Boards, setting the agenda, providing direction and focus, ensuring effectiveness and open and transparent debate → undertake regular engagement with the Chief Executive Officer in between meetings → ensure there is a constructive relationship between the executive and non-executive directors → ensure high standards of corporate governance and ethical behaviour and oversee the culture of the Group → oversee the induction, training and development of directors and the consideration of succession → ensure effective communication with shareholders and other stakeholders → ensure the Boards receive accurate, timely and clear information to support discussion and decision-making

Role	
Chief Executive Officer Peter Oswald **Biography** Page 88	→ leads and manages the business with day-to-day responsibility for running the operations and, in particular, the execution of strategy within the delegated authority from the Boards → ensures the communication of Mondi's values and goals throughout the organisation, leading by example → chairs the DLC executive committee and leads and motivates the management team → ensures the Group has effective processes, controls and risk management systems → develops and implements Group policies, including with regard to safety and sustainability → together with the Chief Financial Officer, leads the relationship with institutional shareholders

Role

Executive Director

Andrew King

Biography
Page 88

- manages the day-to-day operations of the Group, in this case within his remit as Chief Financial Officer, in accordance with authority delegated by the Boards

Role

Senior Independent Director (SID)

Stephen Harris

Biography
Page 89

- provides support to, and acts as a sounding board for, the Joint Chairs and the Non-Executive Directors
- acts as a point of contact for shareholders
- available as a trusted intermediary for the other directors, as necessary
- chairs a meeting of the Non-Executive Directors at which the performance of the Joint Chairs is considered

Role

Independent Non-Executive Directors

Tanya Fratto

Dominique Reiniche

Stephen Young

Biographies
Page 89

- provide independent oversight of the Group's activities
- offer an external perspective to, and constructively challenge, management
- provide to the Boards a diversity of knowledge and experience
- monitor management performance and the development of the organisational culture
- review and agree strategic priorities and monitor the delivery of the Group's strategy
- ensure the integrity of financial reporting and the effectiveness of internal controls and risk management
- determine executive director remuneration

Role

Company Secretaries

Philip Laubscher

Jenny Hampshire

Biographies
Page 119

- work together on the coordination of Mondi's DLC structure
- support the Joint Chairs in the delivery of accurate and timely information ahead of each meeting
- ensure compliance with board and committee procedures
- act as a key point of contact for Joint Chairs and Non-Executive Directors
- provide support to the Boards and committees, and advise on governance, statutory and regulatory requirements, maintaining an arm's length relationship with the Boards
- provide advice on legal, governance and listing requirements in both South Africa and the UK, in particular relating to continuing obligations and directors' duties
- appointed and removed by the Boards as a whole

Assessment of the Company Secretaries

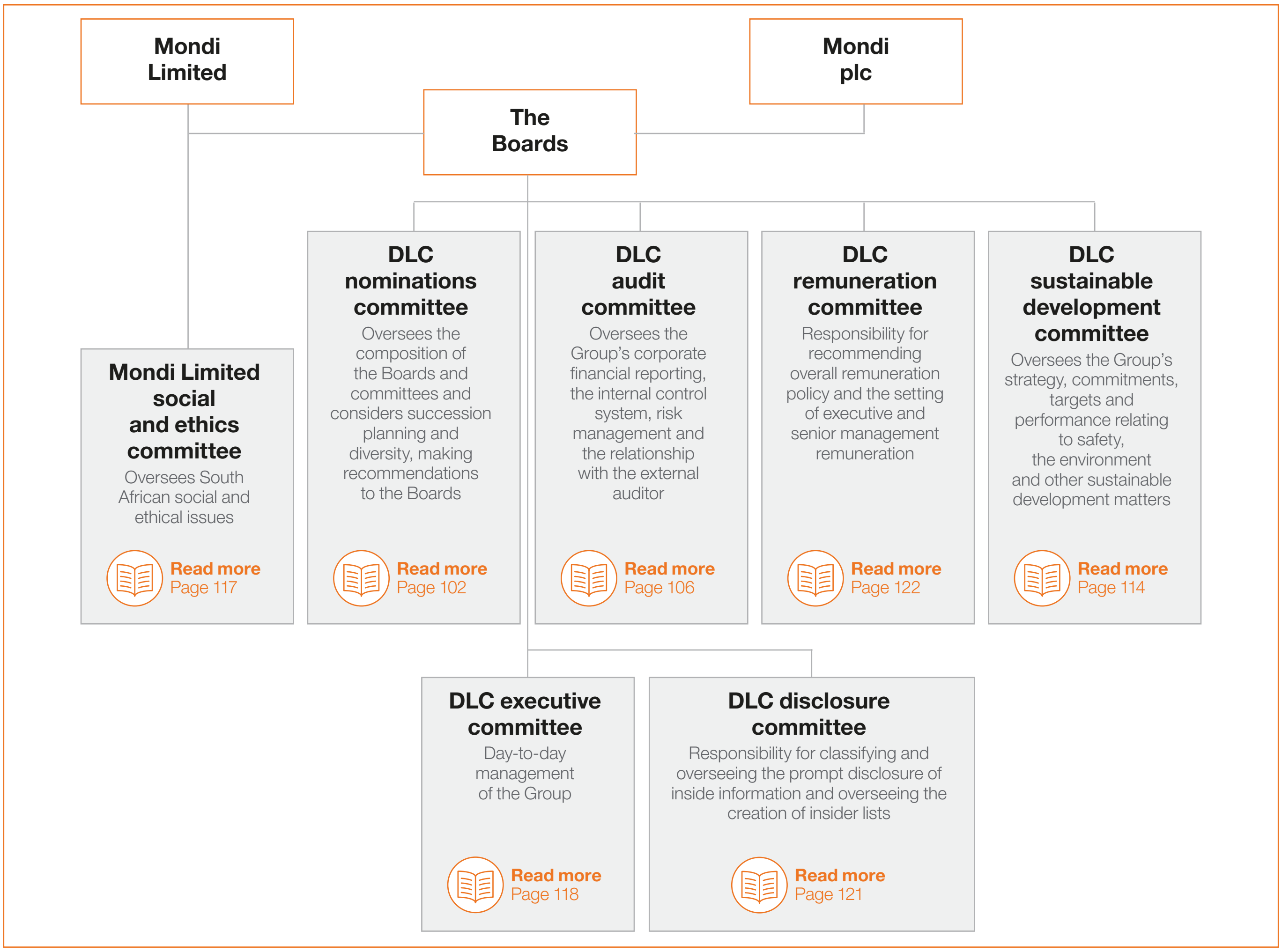
Pursuant to the Listings Requirements of the JSE, the Boards confirm that they have reviewed and are satisfied that each of the Company Secretaries is competent and has the relevant qualifications and experience. Their biographies are on page 119.

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

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

Our committees

The Boards are supported by the committees that have been established in line with governance practice and to which the Boards have delegated specific areas of responsibility. The role of each committee is described below and in more detail later in this report.



Each committee has the authority to make decisions according to its terms of reference. Work programmes are agreed by each committee that are designed around the annual business calendar and their respective terms of reference. The matters reserved for the Boards together with the terms of reference of each of the committees are reviewed on an annual basis and when there have been changes in circumstances, governance or regulation. These are available on the Mondi Group website. During 2018 certain of the committee terms of reference were updated, primarily in response to changes introduced by the new UK Corporate Governance Code.

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

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

How the Boards spent their time

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

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

Other matters addressed by the Boards

Financial performance

- Review and approval of the full and half-yearly results and associated announcements and the trading updates.
- Review and approval of the Mondi Group Integrated report and financial statements, ensuring they are fair, balanced and understandable (see page 110 for more information).
- Consideration of ordinary and special dividend recommendations and declarations in light of the Group's stated dividend policy, financial performance and strong cash generation.
- Review and approval of the Group business plan for 2019–2021 and the budget for 2019, considering assumptions made and the reasonableness of the plan and focusing on the operational overviews, cash flow management and capital allocation.
- Annual reviews of the Group treasury and Group tax functions and performance, including approval of the Group's tax strategy statement for publication on Mondi's website.

Strategy formulation and monitoring

- A strategy review session, considering where Mondi is today, its strategic focus, options for future growth and detailed business unit strategic initiatives, resulting in continued support for Mondi's strategic direction (see page 26 for more information).
- Regular review of potential growth opportunities identified by management.
- Review of investor feedback (see page 98 for more information).
- Regular review of competitor analyses.
- Regular review of shareholder analysis reports.

Operational performance

- Detailed reports in relation to the fatalities and life-altering injuries and oversight of management's response.
- Reports from the chief executive officers of a number of the business units (see page 97).
- Monitoring of the implementation of a number of large capital projects.
- A presentation from the Quality Director of the Consumer Packaging business unit.

Governance and risk management

- Regular reports from the chair of each committee.
- Review of the Group's corporate governance framework and specifically proposals arising in relation to the new UK Corporate Governance Code.
- Review and approval of the renewal of Dominique Reiniche's term of office.
- Review and approval of the Group's Modern Slavery Act statement.
- Review of the output from the internal board evaluation process and agreement of an action plan (see page 101 for more information).
- A review of the Group's risk management processes, plan and risk tolerance levels and internal controls, with consideration of risk monitoring, mitigation activities and independent assurance processes (see pages 38 and 39 for more information).
- Half-yearly presentations on IT risks and cyber security (see page 111 for more information).
- Review of the Group insurances, ensuring an appropriate balance of risk between the Group and our insurers.
- Review of principal Group policies.
- Review of arrangements for the Annual General Meetings, in particular feedback received from shareholders and voting indications.

Succession planning

- Consideration of recommended changes to the membership of the DLC executive committee.
- Consideration of succession and talent management plans.

Other

- Consideration of the proposed corporate simplification.
- Review of employee survey results (see page 99 for more information).
- Consideration of a number of regular matters that are reserved for the Boards (see schedule on the Mondi Group website).

Stephen Young – Induction Programme

In the lead up to and following Stephen's appointment as a non-executive director on 1 May 2018, a number of meetings, briefings and site visits were organised in order to provide Stephen with a detailed overview of the Group and to allow him to make as full and effective a contribution as possible to the Boards' deliberations and decision-making during the first few months following his appointment. The induction process focused particularly on the role and duties Stephen would assume once appointed as chair of the audit committee.

Company Secretaries

Stephen's induction started with a briefing from one of the company secretaries to explain the DLC structure and its implications for the operation of the Boards, both at a practical level and in terms of the applicable regulatory and governance framework. He was given access to an online director handbook containing a number of key documents, including guidance on the duties and obligations for listed company directors, key policies and the terms of reference for each of Mondi's committees.

Joint Chairs and Non-Executive Directors

While Stephen met all members of the DLC Board during the recruitment and interview process, further meetings were arranged as appropriate around the time of his appointment and his first board programme. Key among these was Stephen's meeting with John Nicholas, the outgoing audit committee chair.

Executive committee members and senior management

Meetings with members of the executive committee were held in order to give Stephen an understanding of the Group's business, markets, operations and material projects, as well as risk areas, and to give him the opportunity to hear firsthand about the Group's culture and operational style. Meetings with other key members of senior management were also held, including with the Group Head of Reward, Group Head of Internal Audit, the Group Heads of Tax and Treasury, the Group Head of Strategy & Investor Relations and the Group Heads of Sustainable Development and Safety and Health. The meeting with the Group Head of Internal Audit was a key one for Stephen given his audit committee role. A meeting with the Group's Chief Information Officer to discuss the information management architecture and cyber security was also held.

External auditor

A meeting with the UK audit engagement partner was undertaken at an early stage in order to provide Stephen with an independent view of Mondi's relationship with its external auditor and the auditor's role at each audit committee meeting.

Site visits

During August 2018 Stephen undertook a site visit to Mondi's mill in Świecie, Poland. Given that Stephen was unable to join the full Boards' visit to Świecie earlier in the year, this provided Stephen with a separate opportunity to meet local management and to receive tailored presentations. The visit also included a tour of the plant and a dinner with members of the management team. This allowed Stephen early on in his tenure to see one of Mondi's largest operations and to observe behaviour and culture in practice. This was followed by a visit to Mondi's Group office in Vienna.

While Stephen's induction covered a significant amount in a short space of time, we remain aware that the induction needs to be an ongoing process, particularly during the first year of appointment, and so we continue to look for additional opportunities to offer Stephen a broader perspective of the business.

Training, development and culture

When new directors join the Boards they undertake an induction. While there is an outline induction programme in place, this is discussed with each new director and is tailored to meet any specific requirements, in particular any committee responsibilities. The programme generally includes meetings with each member of the executive committee and key advisers as well as site visits. The aim is to familiarise a new director with the nature of the Group's business and operations, highlighting the key challenges and opportunities as well as the regulatory environment in which the Group operates, and the culture and values of the Group. Following his appointment to the Boards on 1 May 2018, an induction programme was undertaken by Stephen Young, the details of which can be found opposite.

We aim to ensure that existing directors receive ongoing training and development opportunities and that they are able to keep up to speed with changes to the environment in which Mondi operates, economic developments and governance and regulatory changes. It is equally important that the directors are given the opportunity to monitor Mondi's culture, to see how it is embedded into the organisation and to ensure that practice on the ground aligns with the culture and values promoted by the Boards.

This is achieved in a number of ways:

Site visits

The directors are encouraged wherever possible to visit Mondi's key assets and operations so that they can see them firsthand and get a more in-depth understanding of the business as well as meet local management and staff. Such visits allow the directors to see for themselves how our safety culture is working in practice, the outcome of the investments they have approved and how the Mondi Diamond is used to frame operational behaviour. Talking to local management during these site visits provides an invaluable perspective to the directors.

Board presentations

The Boards have in place a rolling programme of presentations from members of the executive committee and other senior management. These presentations give the directors direct exposure to members of senior management beyond the executive directors, allowing them the opportunity to ask questions, hear their views and opinions and to hear how the businesses are performing and developing. The directors also gain valuable insight for the purposes of succession planning. Presenters are additionally invited to attend board dinners, offering a more informal setting for discussion.

The Boards also receive presentations from external advisers in relation to a variety of matters.

Reports and updates

Presentations and reports aimed at providing wider context to the Group's activities and position in the market are provided regularly to the Boards. Management also provide updates on issues affecting the packaging and paper industry as a whole and regular feedback is provided through the sharing of analyst and broker reports and briefings.

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

External directorships

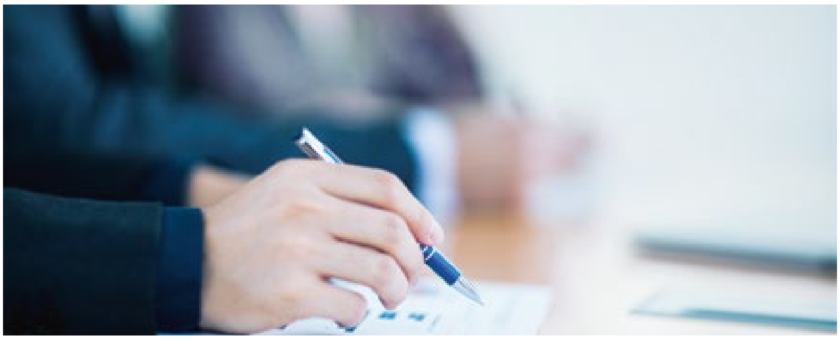
Although it is recognised that valuable experience can be gained from executive directors accepting appointments as non-executive directors on other boards, it is important to ensure the appropriateness and number of such commitments. Mondi has a policy setting out the parameters regarding such appointments.

A director will retain any fee paid to them in respect of directorships external to Mondi.

Neither of Mondi's executive directors currently holds a directorship external to Mondi.

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

Board presentations:



During the year the Boards heard from the chief executive officers of Mondi's Consumer Packaging and Uncoated Fine Paper business units as well as the chief executive officers of the Fibre Packaging/Paper and South African businesses, covering matters including safety performance and culture, financial and operational performance, progress with capital investment projects and challenges faced. Mondi's Group Communication & Marketing Director and Consumer Packaging's Quality Director also presented.

Mondi's Group HR Director presented to the Boards on the outcome of the 2018 group-wide employee survey, providing insight into the views of the 89% of employees that responded to the survey.

This feedback provides a vital source of information to the directors on how employees feel about Mondi and the environment and culture in which they work. More information can be found on page 99.

In addition, the Boards received presentations from external advisers including in relation to global economic and market trends, the duties of boards in relation to environmental, social and governance risks and investor perceptions.

The Boards have also received updates on information technology risk through two detailed presentations given to the DLC audit committee during the year (see page 111 for more information).

Site visits:

Świece, Poland

In June 2018, the directors visited Mondi's mill in Świecie. The visit included presentations from the local management team, providing the Boards with an update on matters including safety, financial, operational and environmental and sustainability performance. The directors also heard about the initiative at the mill to reduce the level of waste sent to landfill, an initiative that won a Mondi Diamond award earlier in the year (see page 74 for more details).

The directors undertook a tour of the mill, giving them an opportunity to see in practice the results of the €260m capital investment programme completed in 2017, to observe the culture, particularly in relation to safety, and to talk to local management and employees. The tour was followed by a dinner with members of the Świecie management team.

Richards Bay

In July 2018, Tanya Fratto joined Michael Hakes, Mondi's Group HR Director, on a visit to Mondi's Richards Bay facility in South Africa. The visit included a tour of the mill as well as a chance to see the Kwambonambi nursery, one of the sites at which we propagate seedlings for our forestry plantations. Tanya also spent time meeting with and asking questions of local management and employees.

Site visits by the directors, either individually or collectively, remain high on the agenda in 2019 with visits to plants in Austria and Germany being planned for the Boards during the year.

Stakeholder engagement

During the year, the Boards took the time to review who they consider to be Mondi's key stakeholders. This gave them the opportunity to step back and think about those groups that are most relevant to Mondi, to ensure that the Boards continue to give consideration to the material stakeholders when making decisions and to allow engagement activities to be focused appropriately. The stakeholders identified and some of the engagement activities undertaken during the year are referred to in more detail on pages 22 to 25.

Investor engagement

While the Joint Chairs maintain responsibility for ensuring there is effective communication with shareholders, it is the Chief Executive Officer and Chief Financial Officer who undertake active engagement with investors on a regular basis, meeting with Mondi's largest shareholders, analysts and other fund managers. The Senior Independent Director is available to meet with shareholders as required should any issues arise that are not resolved through the more regular channels.

Below are details of the key investor events that have taken place during 2018, including meetings, investor roadshows and participation in investor conferences.

In addition, the executive management and the Group Head of Strategy & Investor Relations make themselves available to investors on an ongoing basis in order to maintain an open dialogue, resulting in a number of ad hoc meetings and calls taking place throughout the year.

It is important that we maintain this regular engagement with shareholders and prospective investors in order to allow us the opportunity to further explain our strategy and priorities. It is hoped that such engagement and our willingness to be transparent builds trust in Mondi's management and develops the investor community's understanding of our business and our culture. While we accept that our shareholders will have different priorities and varying views on the future of Mondi, we welcome these views and the constructive dialogue that we aim for.

In addition, we maintain ongoing contact with our debt providers and the Chief Financial Officer and Group Treasurer have held regular meetings with the credit rating agencies, relationship banks and debt investors.

The remuneration committee consults with shareholders on remuneration matters when appropriate, most recently in relation to proposed changes to the Group's remuneration policy which were approved at the Annual General Meetings in 2017. Such consultation is key to understanding shareholder views.

The Company Secretary's office is the focus for private shareholder communications, responding to individual shareholder correspondence, and coordinating our engagement on corporate governance matters.

All directors are kept informed of shareholder views and feedback, particularly from the full and half-year investor roadshows, which are presented and discussed at board meetings. Analyst reports are shared regularly with the Boards and consideration given to any views both positive and negative regarding the Group's performance, future direction and the perceptions of the management team.

The Mondi Group website – www.mondigroup.com – contains a wealth of information including the latest news from around the Group, announcements, share price information and general shareholder information as well as more in-depth reports regarding our sustainability commitments and progress.

Investor perceptions study

In the second half of the year, we commissioned an external consultant, Investor Perceptions, to undertake a study to understand how a broad cross-section of shareholders, non-holders and sell-side analysts perceive Mondi in terms of performance, strategy, management, communication and willingness to engage.

Engagement levels were good, with investors open to sharing their views on the Group and providing valuable insight into areas of strong performance as well as those areas offering improvement potential. The results of the study, which were generally very positive, were presented to the Boards during the December board meeting. A number of action items were identified, with the Boards agreeing to follow up on those it considers most relevant during 2019.

In light of the value the directors felt the study brought and the increased focus in the new UK Corporate Governance Code on engagement with, and understanding the views of, major shareholders, it is intended to undertake similar studies on a more regular basis.

Investor events

Month	Event
March	→ Preliminary results announcement → Investor roadshow in South Africa (Johannesburg and Cape Town) → Investor roadshow in Europe (London and Edinburgh), including Jefferies packaging conference → Sun City BoAML conference (South Africa) → Investor day in Munich
April	→ Discussions with investors and advisory bodies prior to Annual General Meetings
May	→ Trading update → Annual General Meetings → Investor roadshow in the US (Boston, Chicago and New York)
August	→ Half-yearly results → Investor roadshow in South Africa (Johannesburg and Cape Town)
September	→ Investor roadshow in Europe (London and Edinburgh)
October	→ Trading update
November	→ London UBS European conference
December	→ London BoAML Paper conference → Investor roadshow in Frankfurt

Wider stakeholder engagement

The increasing focus on wider stakeholder engagement reflects our awareness of the need to consider the interests of not just our shareholders but also our people, customers and the communities in which we operate. While this has always been a focus for the Boards, the new UK Corporate Governance Code has reminded boards of the need to keep this high on the agenda. Having confirmed who our key stakeholders are, our approach to sustainability provides the framework within which we can engage with them and encourages us to consider more widely the impact that our business can have. Our Group Head of Sustainable Development continues to maintain a dialogue on socially responsible investment through focused briefings with interested investors and stakeholders and collaborates closely with a number of external bodies on such matters. More information on our engagement activities during the year can be found on pages 22 to 25 and in our online sustainable development report.

Developing our activities in relation to employee engagement in particular is a priority. While we always consider the impact on employees when we make decisions, the Boards appreciate that they need to understand their views in order to do this effectively. A number of events took place during the year to facilitate engagement with our people, including:

→ the annual meeting of our European Communication Group, involving representatives from our plants across Europe, attended by Peter Oswald, Andrew King and Mondi's Group HR Director, Michael Hakes;

→ a senior leadership forum, attended by 120 of Mondi's senior leaders as well as several members of the Boards, including the Joint Chairs, and incorporating Mondi's Diamond Awards ceremony; and

→ the latest global employee survey, which had a participation rate of 89% and gave our employees the opportunity to provide their views on a range of matters. The results of this survey were presented to the Boards and further updates will be provided over the course of the next year to allow the Boards to monitor progress with actions agreed following the survey. More information can be found on pages 52 and 53.

In addition, we held a virtual leadership forum, Inspire meetings and a number of employee briefings.

Not only do these activities facilitate employee engagement, they are also vital to giving the Boards clear oversight of Mondi's culture. The outcome from these types of events and the views expressed provide insight to the Boards on how well our values are embedded and understood, the concerns of our employees and the flow of communication throughout the Group. During 2019 there will be increased emphasis on creating a clear link between these activities and the discussions at board level.

Review of employee survey results

In January 2018 Mondi undertook its latest group-wide employee survey, in which 89% of employees participated. The Boards invited Michael Hakes, Mondi's Group HR Director, to present the results of the survey. The presentation included details of the response rate relative to previous surveys, key areas of positive and negative feedback, broken down by job level and tenure, and comparisons to external benchmarks. Employee engagement levels were a key area of focus, with the results being used to indicate the extent to which our people feel engaged with Mondi and their role. The results of the survey act as a significant source of information to the Boards when they are assessing the views of Mondi's employees and how well Mondi's values are communicated, understood and felt by employees on a day-to-day basis. The survey also looked at a number of key culture indicators, including the proportion of employees that were considering leaving Mondi, how empowered employees felt and whether they felt they were recognised for their performance. A number of action areas were identified and additional questions raised by the Boards. A follow-up presentation will be given to the Boards during 2019.

Annual General Meetings

At the 2018 Annual General Meetings all resolutions were passed. Overall in excess of 68% of the total Group shares were voted.

The Annual General Meetings of Mondi Limited and Mondi plc are scheduled to be held on 9 May 2019 in Johannesburg and London respectively, presenting an opportunity for shareholders to question the directors about our activities and prospects. Directors are available to meet informally with shareholders immediately before and after the meetings.

Separate resolutions will be proposed for each item of business to be considered at the meetings with the voting conducted by polls. It is confirmed that each director will be standing for re-election by shareholders at the meetings. The meetings will consist of a number of resolutions representing regular business usually conducted at an annual general meeting, together with a number of additional resolutions relating to Mondi's proposed corporate simplification. The notices, which include explanations of each resolution, are contained in separate circulars which will be sent to all shareholders in advance of the meetings, in accordance with the corporate governance codes of South Africa and the UK.

The voting results will be announced on the JSE and LSE and made available on the Mondi Group website as soon as practicable following the close of both meetings.

Performance evaluation

Below are the key actions reported last year following the internal evaluation undertaken in 2017 and details of the progress we have made against those actions:

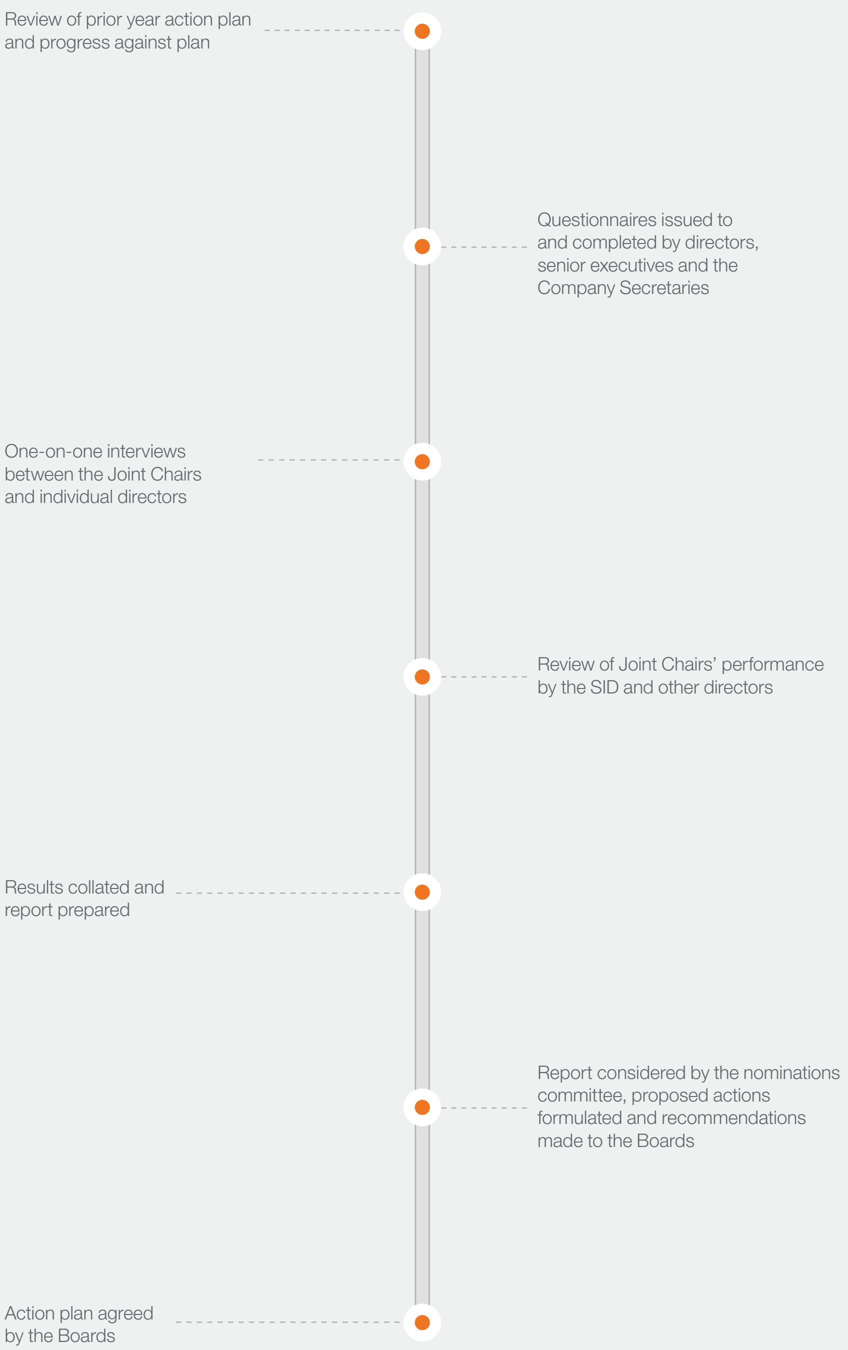
Action agreed from 2017 evaluation	Progress achieved
To continue to focus on succession planning at board, committee and executive level, considering cultural, geographic and gender diversity requirements as the business looks to grow.	Succession planning remained a key focus area during 2018 with the appointment of Stephen Young as a successor to John Nicholas in May 2018 and detailed discussions by the nominations committee in relation to board and executive level succession at its meeting in June. Members of the executive committee and other members of senior management have presented to the Boards throughout the year, giving the directors exposure to a wider group of people. This remains high on the agenda in 2019.
To continue to assess opportunities for growth as and when they arise with management providing detailed overviews to the Boards of any potential options when appropriate.	A number of detailed presentations in relation to potential growth opportunities have been made to the Boards during the year. Management will continue to bring such opportunities to the Boards for consideration as and when appropriate.
To maintain the high level of focus on safety, considering in particular the behavioural and cultural reasons behind life altering injuries and other serious safety incidents.	Safety remains a key focus and we strive for continuous improvement. A 'social psychology of behaviour' programme is being developed for trial implementation, focused safety training for managing directors, first line managers and safety and health professionals is being undertaken and a safety campaign targeted at the behavioural causes of serious incidents has been launched.
To continue to develop Mondi's policies and procedures in the key areas of focus set out in the UK Modern Slavery Act and to consider the use of certain measurements to allow progress to be monitored.	An overview of the actions taken to date was presented to the sustainable development committee at its meeting in May. Mondi's 2018 Modern Slavery Act statement was approved at the same meeting. An initial discussion in relation to proposed KPIs was held. These will be developed with specialist support and presented for approval during 2019.
To monitor the outcome of the consultation in relation to the UK Corporate Governance Code and to consider and implement any changes required in order to ensure compliance with the new Code.	The Boards have been kept up to date with developments throughout the year and proposed actions designed to implement certain provisions of the new Code were presented to, and approved by, the Boards towards the end of 2018.

From left to right:
Fred Phaswana
Stephen Young
Tanya Fratto
Peter Oswald
Dominique Reiniche
Stephen Harris
David Williams
Andrew King

2018 internal board evaluation process

In line with best practice, we have conducted external evaluations at least once every three years, the last time being in 2016. In 2018, the Boards determined that an internal evaluation was appropriate, recognising the opportunity this provides to reflect on the activities and performance of the Boards, committees and individual directors, and to consider improvements to the operation of the Boards.

The Company Secretaries facilitated the process illustrated below:



The results confirmed that the Boards continue to operate well and to a high standard, with open and effective debate, opportunity for challenge and full and active participation from all members of the Boards.

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

The key actions agreed by the Boards following the 2018 evaluation are:

1. Subject to shareholder and necessary regulatory approval, to ensure the smooth implementation of the corporate simplification announced in November 2018.
2. To maintain the focus on succession planning at board and executive committee level, particularly in light of Mondi's commitment to meeting gender and ethnic diversity targets.
3. To continue to focus on safety performance and developing Mondi's safety culture, looking in particular at new and innovative ways in which we can communicate with employees in this regard and continually refresh the safety message.
4. To continue to actively consider a variety of strategic growth options for the Group, giving due consideration to evolving industry trends.
5. To ensure that proposed changes to practice to meet new regulatory and Corporate Governance Code requirements continue to be implemented effectively, ensuring Mondi is in a strong position to report against the new requirements.

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

DLC nominations committee

In light of John Nicholas nearing completion of a nine-year term on the Boards, the search for a new non-executive director was a priority for the committee during the year. The committee spent time focusing on the balance and diversity of skills, knowledge and experience on the Boards and ensuring a smooth appointment and induction process following the decision to appoint Stephen Young.

David Williams
Chair of the DLC nominations committee

Composition

Members throughout the year	Committee member since	Meeting attendance (five meetings in the year)
Tanya Fratto	January 2017	5
Stephen Harris	March 2011	5
John Nicholas[1]	October 2009	3
Fred Phaswana	June 2013	5
Dominique Reiniche	October 2015	5
David Williams, chair	May 2007	5
Stephen Young[2]	May 2018	2

1 John Nicholas stepped down from the committee on 16 May 2018. John attended all meetings up to the time of his retirement from the Boards

2 Stephen Young joined the committee on 1 May 2018. Stephen has missed one meeting of the committee since his appointment as a result of a commitment made prior to him joining the Boards

Other regular attendees

→ Chief Executive Officer

Role, terms of reference and evaluation

The key focus of the committee is to ensure that the composition of the Boards is appropriate and relevant to the Group and that the Boards are in the best position to drive the agreed strategy. This includes consideration of diversity and succession matters.

The committee operates under formal terms of reference. The committee agenda during the year included the regular matters reserved for its review as well as other ad hoc matters falling within the authority delegated to it by the Boards, including the recruitment of a new non-executive director and consideration of changes to the Boards' committees. The committee's performance against its terms of reference is reviewed on an annual basis. The committee is satisfied that it has acted in accordance with its terms of reference during the year.

The evaluation of the committee was carried out as part of the 2018 internal evaluation (see page 101 for more information).

Key matters addressed by the committee

Board and committee composition

→ Review of the composition of the Boards to ensure maintenance of an appropriate balance of skills and diversity of experience to support the future growth strategy, resulting in the appointment of Stephen Young (see page 103 for more information).

→ Review of the composition of each of the committees and committee chairs, recommending changes to the Boards (see page 103 for more information).

→ Consideration of the composition of the DLC executive committee, including the skills, experience and qualifications required, diversity and succession planning, and proposals from management and recommendation of new appointments to the Boards for approval.

→ Review of Dominique Reiniche's performance and contribution to the Boards as she completed her three-year term in office, with the committee concluding that Dominique remained independent and able to contribute effectively to Mondi in the best interests of shareholders, both in her role as a director and as chair of both the DLC sustainable development and Mondi Limited social and ethics committees.

→ Review of the continued independence of each non-executive director, including consideration of their term in office and any potential conflicts of interest.

→ Review of the time commitment required of each non-executive director, concluding that all non-executive directors continued to devote appropriate time to address their duties to Mondi.

Succession planning

→ Considered the Boards' succession plans, including in relation to existing directors and the requirements of the Boards in the longer term.

→ Received a report and presentation on talent management practices within the Group.

→ Received a report and presentation on diversity within the Group and a review of measures being taken to improve this (see pages 104 and 105 for more information on our approach to diversity).

→ Review of the succession plans for the executive committee members and senior management within the Group, discussing any potential gaps and actions to address them.

Board evaluation

→ Monitored progress against the agreed action plan from the prior year's evaluation process (see page 100 for more information).

→ Considered and agreed the process for the 2018 internal evaluation of the Boards, committees and individual directors (see page 101 for more information).

→ Review of the output from the 2018 evaluation process and recommendation of an action plan to the Boards (see page 101 for more information).

Corporate governance and other matters

→ Considered a request from a member of the executive committee to take on the directorship of another company, confirming that the time commitment would not interfere with their duties to Mondi.

→ Considered, and recommended to the Boards, the re-election of all directors at the Annual General Meetings.

→ Review of the committee's terms of reference, performance and work programme.

→ Considered, and agreed to, the committee's report for inclusion in the Group's Integrated report and financial statements.

Review of committee memberships

As a result of John Nicholas' decision to step down as he neared the end of his nine-year term in office, and the appointment of Stephen Young to the Boards, the Committee undertook a review of the current roles and responsibilities of the directors and in particular the committee memberships. A number of factors were considered, including the desire to bring new perspectives to each of the committees and the time commitment of each director. After consideration, it was recommended to, and agreed by, the Boards that Stephen Harris replace John as Senior Independent Director upon John's retirement. Stephen Harris' length of service on the Boards and his experience of Mondi and the way in which it operates meant he was well-placed to take on the role. Consequently, it was also agreed that Dominique Reiniche would replace Stephen Harris as chair of the sustainable development and social and ethics committees. Stephen has remained a member of each committee, providing continuity. Given his financial experience, Stephen Young was proposed to shareholders for appointment as chair of the audit committee (see page 106 for more information). He also joined the nominations and sustainable development committees on appointment, providing a fresh viewpoint to each of these committees.

Board appointments

Mondi has an agreed process in place for the recruitment and appointment of new directors to the Boards. This process was followed in relation to the appointment of Stephen Young and is set out below. Further details on Stephen's appointment can be found opposite.

- Agreement of key business experience and skills required, taking into account diversity requirements, and candidate specification drawn up
- External independent search agent engaged to assist with the selection process
- Agent conducts a market search and provides a long list of potential candidates for consideration, the long list to include male and female candidates from a variety of backgrounds
- Short list chosen from long list for interview by one of the Joint Chairs and SID
- Short list reduced to an agreed number of candidates for interview by other executive and non-executive directors
- Nominations committee considers the preferred candidates and makes a recommendation to the Boards
- Boards consider the recommendation and whether to proceed with the appointment

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

Appointment of Stephen Young

Towards the end of 2017, the decision was taken to start preparing for the departure of John Nicholas, given that John was approaching the completion of nine years of service on the Boards. The skills and experience required of a new non-executive director were discussed in detail, with the committee agreeing that the primary focus was on finding someone with a strong financial background and the necessary financial experience to be able to take over John's role as audit committee chair.

In accordance with Mondi's established appointment process, which is set out opposite, the recruitment process was led by David Williams, Joint Chair, and John in his role as Senior Independent Director, on behalf of the nominations committee. Russell Reynolds Associates, an external search agency, was engaged to assist with the selection process. Russell Reynolds is a signatory to the Voluntary Code of Conduct for Executive Search Firms. While Russell Reynolds is currently assisting Mondi with another recruitment process below board level, it does not involve the individual from Russell Reynolds who supported us with Stephen Young's appointment, thereby ensuring the independence of the board recruitment process.

Russell Reynolds drew up a detailed specification based on the criteria agreed by the committee. They then conducted a market search and benchmarked candidates for the role before providing detailed profiles for a longlist of candidates. The candidates were from a variety of backgrounds, with the focus being on financial and business experience, and from different nationalities, with both male and female candidates included.

Having reviewed the profiles presented, initial interviews were undertaken with a number of the candidates before a shortlist of two candidates was agreed. They were then interviewed by other Mondi executives and non-executives before being considered at a full meeting of the nominations committee.

Following a rigorous selection process, the committee, having considered the relative merits and fit of each candidate, made a recommendation to the Boards, which was accepted, to appoint Stephen Young as an independent non-executive director with effect from 1 May 2018.

Stephen was the preferred candidate on the basis of his strong financial and general management background, his recent experience as CEO of a listed international engineering business and his audit committee experience.

Full biography
Page 89

Induction details
Page 96

Diversity & Inclusion

Mondi is committed to encouraging and promoting diversity and inclusion (D&I) in all its forms.

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

The Group's formal D&I policy, which was approved by, and has the full support of, the Boards, is intended to help us meet these goals and sets out guidelines for such matters as recruitment, the use of search firms, succession and annual reviews, both at board level and in relation to the wider workforce.

Key policy requirements include:

At board and executive committee level:

→ For board appointments, Mondi will, wherever possible, engage executive search firms that have signed up to the Voluntary Code of Conduct in relation to the search process.

→ Search firms will be requested to include on the longlist a sufficient number of qualified female candidates and candidates from a variety of ethnic backgrounds, a requirement that is also reflected in the Voluntary Code of Conduct.

→ The nominations committee will review, at least annually, succession plans in relation to the Boards, the executive committee and other senior managers in light of D&I levels across the Group and taking into account skills, experience and diversity requirements.

At employee level:

→ Recruitment activities are aligned with the aims of our D&I policy, including to promote diversity of all types and to ensure fair and non-discriminatory working practices.

→ We aim to ensure that a sufficient pipeline of candidates from a variety of backgrounds are considered during succession planning.

→ We aim to ensure that the nationalities of candidates at long and short list stages are appropriately representative of our international footprint, subject to the availability of candidates with the necessary qualifications and experience.

→ We will ensure fair and equal training and development opportunities.

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

However, while gender, ethnicity, race and other forms of D&I will always be considered, and form a key part of our succession planning discussions, appointments at all levels will continue to be made based on skill and ability. It remains important to ensure that D&I is seen in a broader context and that we have the right mix of backgrounds, skills, knowledge and experience on our Boards, and throughout the Group, to meet our business needs and future strategy. Additional information on the specific process followed for board-level appointments can be found on page 103.

At the end of 2018, we had two female directors representing 25% of the composition of the Boards and one director of colour. During 2018, we also reported to the Hampton-Alexander Review that as at 30 June 2018 we had approximately 27% female representation across our executive committee and its direct reports combined.

The position remains stable in comparison to 2017 which, although positive, means we haven't made any significant progress towards meeting our targets in this regard. The focus in this area and the work being undertaken will therefore need to continue during the coming year. Developing the pipeline up to executive committee level remains a priority as well as a focus on other forms of diversity, including ethnicity. Additional gender diversity statistics can be found in the Strategic report on page 54.

As part of the Boards' oversight of Mondi's D&I policy, a presentation was provided to the committee during the year in relation to D&I and succession planning, covering new and ongoing initiatives to improve D&I and progress made in this regard. Regular discussions are also held at both executive committee and operational committee level.

One significant step taken during the year towards meeting the goals of our policy was the creation of a D&I taskforce. This resulted in our first global D&I conference, more details of which can be found opposite. One of the first roles of the task force will be to identify and recommend KPIs so that we can monitor our progress effectively.

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

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

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

While it is recognised that there are many challenges and there is more work to do, Mondi believes that continually sharing best practice, networking and sharing experiences both internally and externally will allow us to make good progress. More details can be found on page 54.

Creating a diverse and inclusive culture

Creating a work environment that fosters a culture of diversity and inclusion is vital to the success of our organisation and improves our competitive advantage in becoming an employer of choice. 2018 marked a milestone for Mondi, with 75 colleagues from various locations around the world meeting in Austria for our first Diversity & Inclusion (D&I) Conference – a unique opportunity to create a roadmap for success and a network of colleagues all committed to progressing D&I at Mondi.

A number of external contributors shared valuable insights on industry trends, good practices, the implementation of change agents to foster D&I initiatives and business cases.

Following a round of workshops, participants translated the insights they had gained into actionable items based on Mondi's D&I pillars:

1. **Attracting** and retaining a diverse and inclusive workforce
2. **Growing** and developing a diverse and inclusive workforce
3. **Leading** towards a diverse and inclusive culture at Mondi
4. **Inspiring** to create an inclusive mindset and company culture
5. **Enabling** diversity and inclusion across Mondi

The D&I taskforce is supported by a steering committee comprised of executive committee members and chaired by Group Communication & Marketing Director Sara Sizer. Mondi has made progress on D&I in the past by establishing policies and processes, but this renewed momentum is important to drive greater behavioural change to establish a truly diverse and inclusive workforce to deliver long term, sustainable success for Mondi.

DLC audit committee

The committee's focus on the quality of the external audit process continued during the year, particularly in light of the increasing external attention being given to the audit market. It was pleasing to hear that the FRC's Audit Quality Review team did not identify any significant areas for improvement during its review of PwC's audit of Mondi plc's 2017 financial statements.

Stephen Young
Chair of the DLC audit committee

Composition

Members throughout the year	Committee member since	Meeting attendance (four meetings in the year)
Tanya Fratto	May 2017	4
Stephen Harris	March 2011	4
John Nicholas, chair[1]	October 2009	2
Stephen Young chair[2]	May 2018	2

1 John Nicholas stepped down from the committee on 16 May 2018. John attended all meetings up to the time of his retirement from the Boards

2 Stephen Young was appointed to the committee on 16 May 2018. Stephen attended all meetings following his appointment

Other regular attendees

- → Chief Executive Officer
- → Chief Financial Officer
- → Joint Chairs and Non-Executive Directors who are not members of the committee
- → Group Controller
- → Group Head of Internal Audit
- → South African and UK representatives from PwC

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

Composition

As a result of his retirement from the Boards at the conclusion of the Annual General Meetings in May 2018, John Nicholas stepped down from the committee after almost nine years as chair. Stephen Young, who was appointed to the Boards on 1 May 2018, was appointed as a member of the committee by shareholders at the Annual General Meetings and replaced John as chair. Stephen is a member of the Chartered Institute of Management Accountants and has held a number of commercial accounting and finance roles during his career, most notably holding the role of Group Finance Director at Meggitt plc for nine years before being appointed Chief Executive Officer in 2013, a position he held until December 2017. Stephen is therefore considered to have recent and relevant financial experience. His roles at a number of international companies across the industrial and engineering sectors also mean that he is well placed to understand the environment in which Mondi operates.

The committee's other members, Stephen Harris and Tanya Fratto, each have appropriate knowledge and understanding of financial matters and have commercial expertise gained from industries with similar capital intensive manufacturing, engineering and technology-focused international operations. The full biographies detailing the experience of each member of the committee can be found on page 89.

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

Role, terms of reference and evaluation

The committee's primary responsibility is to oversee the Group's corporate financial reporting, including the relationship with the external auditor, as well as Mondi's internal control and risk management framework and to assist the Boards with any judgements and decision-making required in this regard.

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

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

The evaluation of the committee was carried out as part of the 2018 internal evaluation (see page 101 for more information).

Key matters addressed by the committee

Financial reporting

- Review of the integrity of all financial announcements with input provided by the Group CFO, Group Controller and PwC.
- Review of the Mondi Group Integrated report and financial statements for tone and consistency and consideration as to whether the report as a whole was fair, balanced and understandable (see page 110 for more information).
- Reviewed and discussed PwC's reports to the committee.
- Reviewed accounting policies to be applied for the year ending 31 December 2018.
- Reviewed new accounting pronouncements and any potential impact for the Group's financial reporting.
- Reviewed the going concern basis of accounting and the longer-term viability statement (see page 47 for more information).
- Reviewed the JSE's latest report from its proactive monitoring process setting out the results of its reviews of financial statements during the year, confirming that Mondi's financial statements were compliant.

External audit matters

- Recommended to the Boards that the appointment of PwC for the 2018 audit be put to shareholders at the Annual General Meetings.
- Reviewed the independence, objectivity and effectiveness of PwC (see page 112 for more information).
- Reviewed and approved the external audit plan, taking account of the scope, materiality and audit risks and agreeing the audit fees.
- Received a report at each meeting of any non-audit services performed by PwC in order to monitor auditor independence.
- Reviewed and agreed the engagement letters and representation letters.
- Held a meeting with PwC without management present; the committee chair also engaged regularly with the audit partners.

Risk management and internal controls

- Undertook a detailed review of the Group's risk management policy, plan and tolerance levels and of the process to assess the risks (see pages 38 to 46 for more information).
- Reviewed the effectiveness of the risk management and internal control systems (see pages 38 to 46 for more information).
- At each committee meeting undertook a more in-depth review of a number of the most significant Group risks.
- Half-yearly presentations on IT risk management and cyber security (see page 111 for more information).

Internal audit matters

- Reviewed and agreed the internal audit plan, confirming the focus on key risk areas and adequate cover of all material operations.
- Reviewed and approved the internal audit charter which sets out the purpose, remit and authority of the internal audit function.
- Received reports from the Group Head of Internal Audit at each meeting (see page 113 for more information).
- Reviewed the effectiveness of the internal audit team.
- Held a meeting with the Group Head of Internal Audit without management present.

Governance and other

- For JSE purposes reviewed the appropriateness and expertise of the Chief Financial Officer and the effectiveness of the finance function (see page 106 for more information).
- Monitored and reviewed the continued implementation of those elements of the Group's Code of Business Ethics reserved for review by the committee, as well as the supporting framework of the Business Integrity Policy.
- Reviewed the legal and compliance risks faced by the Group.
- Reviewed Mondi's competition compliance programme.
- Reviewed the committee's terms of reference, performance and work programme.

Internal control

The Group's internal control and risk management framework, embedded in all key operations, is designed to address all the significant strategic, financial, operational and compliance risks that could undermine our ability to achieve our business objectives in the future and is managed within risk tolerance levels defined by the Boards. In accordance with the provisions of the UK Corporate Governance Code, the Group has in place an internal control environment to protect the business from principal risks which have been identified. Management is responsible for establishing and maintaining adequate internal controls over financial reporting and we have responsibility for ensuring the effectiveness of these controls. Full details of Mondi's internal control and risk management framework can be found in the Strategic report on pages 38 to 46.

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

Significant issues related to the financial statements

The committee has considered each of the following items based on discussions with, and submissions by, management and satisfied itself as to the accounting treatment and presentation thereof. The most significant items were discussed with the external auditors during the planning stage and on completion of the audit. These issues are broadly similar to those addressed by the committee during 2017.

The key considerations in relation to the 2018 financial statements were:

Matter considered	Action
Special items are those financial items which the Group considers should be separately disclosed on the face of the income statement to assist in understanding the underlying financial performance achieved by the Group as special items affect year-on-year comparability. The classification of an item as special is based on materiality in the context of the current year's financial performance and generally must exceed €10 million. Subsequent adjustments to items previously reported as special items continue to be reflected as special items in future periods even if they do not exceed the quantitative reporting threshold. The net special item charge for the year was €126 million before tax. It included restructuring and closure costs of €45 million and related impairments of assets of €81 million related to the discontinuation of in-line silicone coating production at Štětí; restructuring of bags operations in the US; a restructuring programme in Consumer Packaging primarily in the UK operations; and closure of an uncoated fine paper machine in South Africa. Details of the special items are included in the Strategic report on page 65 and in note 3 of the financial statements.	The committee has critically reviewed each item presented by management as being special to ensure that the items are in line with the Group's accounting policy. The committee considered both the quantification and presentation of special items. The committee has reviewed the adequacy of the descriptions of the special items in the financial statements and the Strategic report. The committee has also considered whether any significant transactions that were not classified as special were appropriately classified in the financial statements and appropriately described in the Strategic report.
In addition to property, plant and equipment of €4,340 million, intangible assets of €91 million and goodwill of €942 million are included as assets in the statement of financial position. As set out in the accounting policies, the Group performs an impairment review at least annually and whenever there is any indication that certain of its assets may be impaired. See notes 10, 12 and 13 of the financial statements.	The committee considered a report from management describing potential impairment indicators of tangible and intangible assets and the outcomes of related impairment tests. The committee also considered a report from management on the outcomes of the annual goodwill impairment test. The critical underlying assumptions applied were reviewed by the committee and compared with the Group's budget and the current macroeconomic environment. The committee considered the sensitivities underlying the primary assumptions to determine the consequences that reasonably possible changes in such assumptions may have on the recoverable amount of the underlying assets. The committee satisfied itself that no impairment related to goodwill was required and that the impairments in property, plant and equipment and other intangible assets were primarily related to the closure and restructuring of operations.

Matter considered	Action
The Group has operations in a number of countries each with a different tax system. The Group is regularly subject to routine tax audits and provisions are made based on the tax laws in the relevant country and the expected outcomes of any negotiations or settlements. The Group's recognition of deferred tax assets, relating to future utilisation of accumulated tax losses, is dependent on the future profitability and performance of the underlying businesses. See note 7 of the financial statements.	The committee receives regular reports from management about new legislative developments that may impact the Group's tax positions. The committee has considered reports from management outlining the Group's most significant tax exposures, including ongoing tax audits and litigation, and has reviewed the related tax provisions recognised by management, satisfying itself these are appropriate and the risk of new unexpected exposures arising is low. The committee has considered a report from management outlining the key judgements relating to the recognition of deferred tax assets and satisfied itself that the assumptions made are reasonable and consistent from year to year.
Significant judgement is required in determining the assumptions to be applied for the valuation of the Group's forestry assets and retirement benefit obligations. Such assumptions are based, as far as possible, on observable market data and, in the case of the retirement benefit obligations, the input and advice of actuaries. The most significant assumptions and sensitivities are disclosed in note 14 for forestry assets and 23 for retirement benefits in the financial statements.	The assumptions applied in the valuation of the forestry assets and retirement benefits were reviewed by the committee. The committee considered the basis on which these assumptions were determined, and evaluated the assumptions by comparing them with prior years and considering market developments during 2018. The committee satisfied itself that the assumptions, and the changes to those assumptions when compared with the year ended 31 December 2017, were appropriate.
From 1 January 2018 the Group early adopted IFRS 16, 'Leases'. The impact on the accounting policies and on the financial statements are discussed in more detail in notes 32 and 33 of the financial statements.	The committee has considered a report from management in relation to the restated financial information and the updated accounting policies. The process of restatement was discussed with management and the committee satisfied itself that the restated financial information was appropriate.
During 2018, the Group concluded four business combinations, of which the most significant was Powerflute (Finland). The business combinations are described in note 24 of the financial statements. On acquisition, the Group determined the fair value of assets acquired and liabilities assumed, based on its own experience in the industry and the input of experts.	The committee considered a report from management describing the process undertaken in conducting the identification and valuation of assets acquired and liabilities assumed in business combinations. The committee satisfied itself that the fair values were appropriate, that the resulting goodwill recognised in these transactions was appropriate and that there were no unrecorded assets or liabilities.

Fair, balanced and understandable

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

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

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

Conclusion
- After completion of the detailed review, the committee was satisfied that:
  - taken as a whole, the Group's Integrated report and financial statements 2018, were fair, balanced and understandable;
  - the report accurately reflected the information shareholders would require in order to assess the Group's performance, business model and strategy; and
  - the use of alternative performance measures contained in the report assists in presenting a fair review of the Group's business

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

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

Although oversight and review of material financial reporting matters are considered throughout the year, at the request of the Boards, the committee assessed the integrity of the Group's Integrated report and financial statements 2018 and the clarity, completeness and consistency of disclosures.

Approach to regular financial reporting

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

Information technology risk

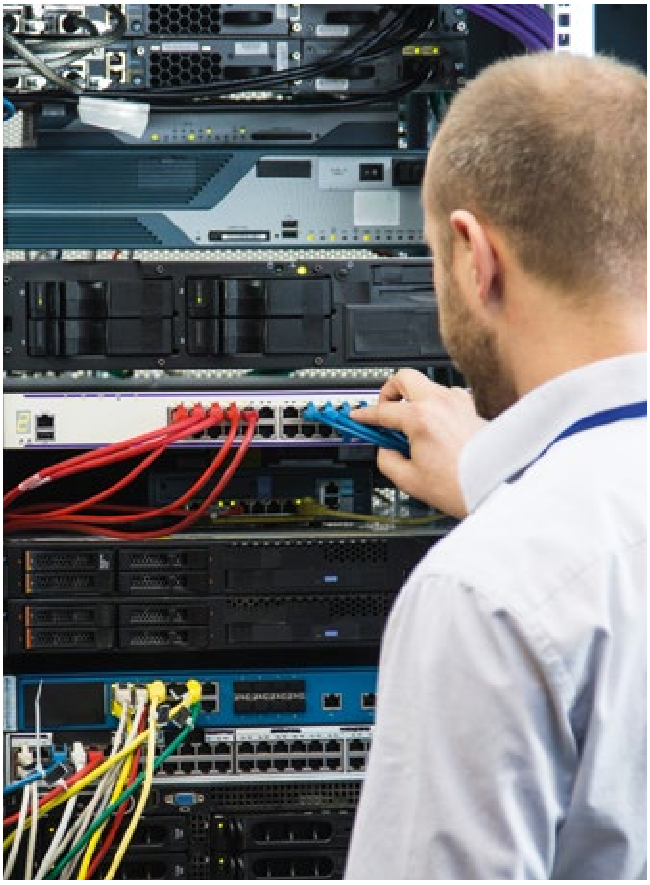
The committee undertakes, on a half-yearly basis, a detailed review of information technology risk and mitigation actions. The Group's IT risk management framework has been explained to the committee, with comfort obtained that it is holistic and robust, having been audited by independent third parties.

While these reviews cover all relevant aspects of IT risk, including security, compliance and availability, the focus is increasingly on cyber security, with the top five IT risks being in this area. Cyber security drives the principal mitigation activities, particularly in the areas of network design and security architecture.

During the year, a detailed audit of Mondi's operational assets was undertaken by KPMG with the aim of identifying key risks to Mondi's production sites and assessing the level of protection in place.

An independent audit of Mondi's cyber security framework was also undertaken. The results and recommendations were reported to the committee. The risks posed by increasing levels of digitalisation and the use of cloud-based business applications were also discussed during the year. These risks, together with continued development of Mondi's networks to protect against fraud attempts, will remain the focus during 2019.

The committee was encouraged by the level of focus being given to cyber security across the Group. The emphasis being placed on employee awareness, education and testing was welcomed by the committee. Overall the committee concluded that the Group's IT risk management was effective and that management ensured that it was subject to continuous monitoring and improvement (see page 46 for more information).



External audit

PricewaterhouseCoopers Inc and PricewaterhouseCoopers LLP (together 'PwC') were first appointed as auditors by shareholders at the Annual General Meetings in May 2017, replacing Deloitte & Touche and Deloitte LLP respectively (together 'Deloitte').

This followed a full tender process undertaken in 2015 and a transition process during 2016, which allowed PwC to work together with Mondi and Deloitte to ensure a smooth handover.

Andy Kemp was appointed as the UK audit partner and Michal Kotzé as the South Africa audit partner. The 2018 audit was their second for Mondi.

The committee confirms its compliance for the financial year ended 31 December 2018 with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

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

External audit independence, objectivity and effectiveness

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

Evaluation focus

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

Inputs

Audit committee

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

Management

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

PwC

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

Regulators

- The UK Financial Reporting Council's (FRC) 2017/18 report on Audit Quality Inspections included a review of audits carried out by PwC. A specific review of PwC's audit of the Mondi Group was undertaken by the FRC (see below for more information).

Key outputs

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

Conclusion

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

UK Financial Reporting Council (FRC) Audit Quality Review

The FRC's Audit Quality Review team selected to review the audit of the 2017 Mondi plc financial statements as part of their 2017 annual inspection of audit firms.

The focus of the review and their reporting is on identifying areas where improvements are required. The chair of the audit committee had discussions with the FRC both before and after the process and received a full copy of the findings of the Audit Quality Review team which have been discussed with PwC.

The audit committee confirms that there were no significant areas for improvement identified within the report. The audit committee is also satisfied that there is nothing within the report which might have a bearing on the audit appointment.

Non-audit services

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

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

The committee monitors compliance with the policy, receiving reports at each meeting detailing all approved non-audit services. This enables regular consideration and oversight of a key threat to auditor independence and objectivity.

The majority of non-audit services are audit-related assurance services. During 2018 examples were the verification of certain matters required from the statutory auditor in relation to subsidy applications, the provision of a comfort letter for the Euro Medium Term Note Programme and the review of the interim results announcement. Non-audit related work being undertaken by PwC on behalf of Powerflute was also assessed in the lead up to the acquisition of Powerflute by Mondi to ensure that all such work ceased within the required timeframes and had no impact on PwC's independence as auditor to the Group.

The breakdown of the fees paid to PwC, including the split between audit and non-audit fees, is included in note 4 to the financial statements on page 168. The non-audit fees for 2018 represent 10% of the audit fee paid.

Internal audit

The Boards have established an internal audit function, which forms an integral part of Mondi's governance and risk management and internal control frameworks. The primary purpose of the internal audit function is to ensure that the Group's principal risks are being managed effectively. The function forms a key part of Mondi's approach to independent assurance.

The audit committee has primary responsibility for monitoring and reviewing the scope and effectiveness of the Group's internal audit function and appoints and discharges the Group Head of Internal Audit (the equivalent of the chief audit executive as envisaged by the King Code). The Group Head of Internal Audit has direct access to, and responsibility to, the committee and works closely with the committee in liaison with PwC.

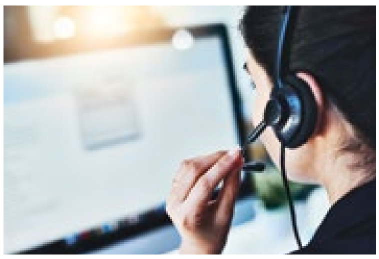
An internal audit charter, approved by the committee, is in place. The charter sets out the purpose, remit and authority of the internal audit function. Each year the committee considers and approves the internal audit plan which is designed to focus on the Group's key risks to ensure that they are managed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

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

This audit committee report was approved by the Boards on 27 February 2019 and is signed on their behalf.

Stephen Young
Chair of the DLC audit committee

Speakout



The Group has a confidential reporting hotline called 'Speakout' operated by an independent third party. Speakout, monitored by the Boards and audit committee, is a simple, accessible and confidential channel through which our employees, customers, suppliers, managers or other stakeholders can raise concerns about conduct that seems contrary to Mondi's values. It makes communication channels available to any person in the world who has information about unethical practices in the Group's operations. Any type of concern can be raised via Speakout. More details can be found on page 63. The Boards and the audit committee receive regular reports of Speakout messages received and ensure that appropriate investigation into each message has been undertaken and responses given with actions taken where any allegation proves to have some foundation. This will continue to be an area of focus, with such reports being key to understanding where further work may be required to reinforce Mondi's ethical and cultural values.

DLC sustainable development committee

We are uniquely positioned to play a leading role in ensuring that the future of packaging is sustainable by design. It is our responsibility to provide the answers our customers and society are looking for, while delivering competitive advantage for our business through our sustainability performance. We take our commitments seriously and recognise that although we have made good progress in 2018, there is still more work to do to future-proof and build a safe business for all.

Dominique Reiniche
Chair of the DLC sustainable development committee

Composition

Members throughout the year	Committee member since	Meeting attendance (six meetings in the year)
Stephen Harris, chair[1]	March 2011	6
Peter Oswald	May 2017	6
Dominique Reiniche, chair[2]	May 2017	6
Stephen Young[3]	May 2018	4

1 Stephen Harris was chair of the committee from 1 October 2015 until 16 May 2018. Stephen stepped down as chair, but remained a member of the committee, at the time of his appointment as Senior Independent Director
2 Dominique Reiniche was appointed as chair of the committee on 16 May 2018
3 Stephen Young joined the committee on 1 May 2018. Stephen has missed one meeting of the committee since his appointment as a result of a commitment made prior to him joining the Boards

Other regular attendees

- → Chief Financial Officer
- → Joint Chairs and Non-Executive Directors who are not members of the committee
- → Group Technical & Sustainability Director
- → Group Head of Sustainable Development
- → Group Head of Safety and Health

Role, terms of reference and evaluation

The committee oversees and monitors the progress of our sustainable development (SD) approach, commitments, targets and performance within a global context. It provides guidance in relation to sustainability matters generally, reviewing and updating the Group's framework of sustainability policies and strategies, ensuring they are aligned with global best practice. A summary report from the directors on the Group's sustainability practices is set out on pages 48 to 63.

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

The committee operates under formal terms of reference. The committee agenda during the year included the regular matters reserved for its review together with other ad hoc matters falling within the authority delegated to it by the Boards, including consideration of a long-term greenhouse gas target calculated using the science-based methodology and participation in a number of key global initiatives. The committee's performance against its terms of reference is reviewed on an annual basis. The committee is satisfied that it has acted in accordance with its terms of reference during the year.

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

The evaluation of the committee was carried out as part of the 2018 internal evaluation (see page 101 for more information).

Key matters addressed by the committee

Safety performance and serious incidents

- Reviewed detailed reports on the fatalities at our Syktyvkar and Ružomberok mills and received follow up reports on the outcome of the investigations into each incident, management's response and actions taken.
- Reviewed detailed reports of selected incidents, for example those resulting in life-altering injuries or having a high risk potential and reviewed management's response.
- Received regular reports on safety performance at Group and business unit level, including individual mill performance, classification of incidents and peer comparisons.
- Considered the safety milestones and leading and lagging indicators for the next reporting period.

SD governance and risks

- Reviewed those elements of the Group's Code of Business Ethics reserved for review by the committee.
- Reviewed the material SD issues, risks and opportunities.
- Reviewed and approved the Group's human trafficking and modern slavery statement.
- Received a presentation from an external expert providing an independent perspective on the duties of boards in relation to ESG risks.
- Reviewed and approved the annual SD reporting.
- Reviewed the committee's terms of reference and performance.
- Considered and agreed the committee's annual work programme.

Environmental performance

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

Policies and commitments

- Reviewed the achievements against the 2020 commitments (see pages 51 to 63 for more information).
- Considered and agreed a proposed long-term GHG target calculated using the science-based methodology (see page 57 for more information).
- Considered and agreed Mondi's commitment to key global initiatives (see page 116 for more information).
- Reviewed Group SD policies and approved amendments to reflect best practice.
- Received an update on the review and amendment of Mondi's Sustainable Development Management System operating standards.

Forestry

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

Community and other relationships

- Reviewed the Group's relationships and engagement with key stakeholders, including governments, NGOs and analysts and changing regulation and governance in this area.
- Reviewed the ongoing WWF global partnership and initiatives.
- Reviewed our social and community engagement, including community investments and initiatives at our pulp and paper mills, and the outcome of the SEAT (Socio-economic Assessment Toolbox) undertaken at our Frantschach operation during 2018 (see page 61 for more information).

Product stewardship

- Received a report on the Group's product stewardship practices.
- Considered the increased focus on supply chain management, including the impact of the UK Modern Slavery Act and the requirement to report on the steps we have taken to ensure that slavery and human trafficking are not present in our supply chain.
- Reviewed the steps being implemented as part of the responsible procurement initiative to support Mondi's response to sustainability performance in its supply chain.

Safety

The safety of our employees and contractors continued to be a priority during the year with safety performance being reviewed in detail at each meeting. Despite this, we were deeply saddened by the fatality we experienced during the year at our Syktyvkar mill (Russia). Tragically, we also experienced the fatality of a contractor at our Ružomberok mill (Slovakia) in January 2019.

It was extremely important for the committee to understand the findings of the resulting investigations and the actions taken by management in response. We also experienced five life-altering injuries during the year. While safety has always been high on the agenda, this was a reminder that when it comes to the safety of our people, we must maintain our focus on ensuring that safe working practices and a clear safety culture are embedded throughout the Group.

The 24-hour safety mindset approach was introduced during 2017 and we continue to build on this. In addition, we have established a number of working groups to review and address behaviour in those areas where we see the most significant safety risk. The behavioural and cultural reasons behind life altering injuries were identified as a focus area in our 2017 board evaluation process – the actions taken in response to this are set out on page 100.

Towards the end of 2018 we also launched a powerful safety campaign targeting the behavioural causes of serious incidents. This will continue into 2019 and is designed to drive home the potentially severe consequences of unsafe behaviour.

Review of material issues

The outcome of an independent review of those sustainability issues of most importance to our stakeholders was a key area of discussion during the year. A number of internal and external stakeholders were invited to participate, either via questionnaire or interview, with the results used to identify and prioritise key material issues and to get a deeper understanding of what matters most to our stakeholders. The outcome will shape our work programme going forwards and is intended to assist the directors with their duty to consider the interests of our wider stakeholder base. Further information can be found in our online sustainability report.

More in our online sustainability report
www.mondigroup.com

Commitment to key global initiatives

During the year the committee considered its commitment to several global initiatives, in particular The New Plastics Economy Initiative's Global Commitment. Signing up required Mondi to make a number of public commitments, resulting in lengthy discussion by the committee in relation to the required commitments, including Mondi's ability to meet them, public perception and how we could monitor progress against the commitments. In light of recent public debate around the use of plastics, stakeholder expectations in this regard and Mondi's desire to provide leadership on the issue and to drive forward sustainable packaging solutions for its customers, the committee agreed that Mondi should sign up to the Global Commitment. Given the increasing importance of these types of issues to our stakeholders, it is likely that similar discussions will form a regular part of the agenda of the committee going forwards.

More in our online sustainability report
www.mondigroup.com

Mondi Limited social and ethics committee

Mondi continued to demonstrate a high level of compliance with statutory requirements and a significant commitment to community-focused programmes. Highlights during the period under review were Mondi Zimele's forestry contractor development programme and timber sourcing from small growers.

Dominique Reiniche
Chair of the Mondi Limited social and ethics committee

Composition

Members throughout the year	Committee member since	Meeting attendance (two meetings in the year)
Stephen Harris, chair[1]	February 2012	2
Peter Oswald	May 2017	2
Fred Phaswana	October 2015	2
Dominique Reiniche, chair[2]	May 2018	1

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

1 Stephen Harris was chair of the committee from 1 October 2015 until 16 May 2018. Stephen stepped down as chair, but remained a member of the committee, at the time of his appointment as Senior Independent Director
2 Dominique Reiniche was appointed as a member and chair of the committee on 16 May 2018. Dominique attended all meetings following her appointment

Other regular attendees

- Joint Chair and Non-Executive Directors who are not members of the committee
- Group Technical & Sustainability Director
- Group Head of Sustainable Development
- Executive management who present on relevant topics

Role, terms of reference and evaluation

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

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

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

The evaluation of the committee was carried out as part of the 2018 internal evaluation (see page 101 for more information).

Key matters addressed by the committee

Corporate citizenship

- Community development and corporate social investment initiatives. Initiatives included coaching and mentoring of over 30 contractors as part of Mondi Zimele's forestry contractor development programme. Over 2,200 small grower participants were involved in growing and harvesting with over 87,000 tonnes of timber supplied by emerging growers. Continued operation of the Mondi Zimele Jobs Fund with over 200 community enterprises supported.

Employment Equity and Broad Based Black Economic Empowerment (BBBEE)

- Good progress continued to be made in employment equity at all management levels with an increasing focus placed on representation of black women in middle management levels.
- Monitoring of Mondi Limited's BBBEE status. In March 2018 Mondi was certified at a level 3 contributor status against the new Forestry Sector Code, with the 2018 audit planned in the first quarter of 2019.

Labour and employment matters

- Compliance by Mondi Limited with South African labour legislation which incorporates the decent work requirements prescribed by the International Labour Organization (ILO). The committee noted specifically the various areas of employer/employee interface and the progress made in addressing focus areas arising from the last employee survey.
- Training and development activities. The committee noted the approximately 1,057 training initiatives embarked on during 2018, 84.1% of employees received training during the year under consideration.
- Various initiatives and procedures were undertaken to achieve Mondi Limited's transformation and diversity management objectives, including diversity training.

Consumer relations

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

Environment, health and public safety

- Mondi Limited's environmental performance, including effluent quality, malodorous gas, specific contact water and waste to landfill.
- Mondi Limited's performance relating to CO_2e emissions, carbon-based energy consumption, use of renewable resources for primary energy and electrical self-sufficiency.

Anti-corruption

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

Corporate governance report
DLC executive committee and company secretaries

Peter Oswald
56
Chief Executive Officer

See full biography
Page 88

Andrew King
49
Chief Financial Officer

See full biography
Page 88

Markus Gärtner
41
Chief Executive Officer, Fibre Packaging/Paper

Appointed
October 2018

Committee membership
Executive

Qualifications
Doctorate of Technical Sciences from ETH Zürich and a Master of Science in Electrical Engineering from Stanford University

Experience
Markus has significant industrial and international business experience. He started his career at McKinsey & Company, working on numerous operational and strategic projects with a primary focus on product development and manufacturing processes across a variety of industries.

Markus went on to join Novelis AG, a leading producer of rolled aluminium products, as Director of Strategy & Business Development for Europe. After a series of commercial and technical roles with growing responsibility, he eventually headed one of Novelis' three businesses as Vice President & General Manager Specialities. In this capacity, he was responsible for a diverse range of applications, including consumer packaging solutions and industrial products.

Markus joined Mondi in September 2018.

External appointments
None.

Michael Hakes
53
Group HR Director

Appointed
April 2018

Committee membership
Executive

Qualifications
Human Resources Management Degree from Chamber of Commerce and Industry of the Lower Rhine Region, member of the Advanced HR Executive Programme at the University of Michigan and the Global Leadership Programme at INSEAD

Experience
Michael has more than 30 years of international HR experience gained across the automotive, manufacturing and industrial services sectors.

Michael began his career in various HR roles at companies across Europe including the Mitsubishi Electric Group, Johnson Controls and Faurecia. In 2007 he was appointed Group Chief HR Officer at LM Wind Power, a Danish-based supplier of rotor blades to the wind industry.

Michael went on to become Group Senior Vice President Human Resources at Germanischer Lloyd until its merger with Det Norske Veritas in 2013. Following the merger, he was appointed Executive Vice President HR of the maritime division of the newly-formed organisation DNV GL, an international ship and offshore classification society.

Michael joined Mondi in April 2018 as Group HR Director.

External appointments
None.

John Lindahl
59
Group Technical & Sustainability Director

Appointed
August 2011

Committee membership
Executive

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

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

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

External appointments
None.

Georg Kasperkovitz
52
Chief Executive Officer, Consumer Packaging

Appointed
May 2017

Committee membership
Executive

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

Experience
Georg has more than 23 years of international experience having been Chief Financial Officer and Chief Operating Officer of Rail Cargo Austria and a consultant and partner with McKinsey & Company.

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

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

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

In addition to his role as Chief Executive Officer of the Consumer Packaging business unit, Georg is also chair of Mondi's operational committee.

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

Vivien McMenamin
55
Chief Executive Officer, South Africa

Appointed
October 2017

Committee membership
Executive

Qualifications
MSc in Economics from the University of London and certificate in Advanced High Performance Leadership from IMD Switzerland

Experience
Viv has over 15 years' experience in the pulp and paper industry having held executive responsibility in Mondi South Africa for marketing and sales, human resources, corporate affairs and transformation. Viv's roles have included Mondi Group Head of Sustainable Development and Director Land and Forestry. In October 2017, she was appointed Chief Executive Officer of Mondi South Africa.

Viv was instrumental in the establishment of Mondi Zimele, Mondi's small business development organisation and crafting Mondi's innovative approach to land reform.

Prior to Mondi, Viv worked in government and the anti-apartheid movement in South Africa, serving Nelson Mandela as a member of the President's Task Force on Local Economic Development and as a member of President Thabo Mbeki's Economic Advisory Panel.

Viv previously served on the boards of SiyaQhubeka Forests, South African Association for Marine Biological Research (SAAMBR) and Durban Girls College.

External appointments
Non-executive director of Transnet SOC Ltd.

Peter Orisich
59
Chief Executive Officer, Uncoated Fine Paper

Appointed
May 2017

Committee membership
Executive

Qualifications
Graduated in business administration from the WU-Vienna business school

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

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

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

Peter is also responsible for overseeing Mondi's Group procurement function.

External appointments
None.

Sara Sizer
56
Group Communication & Marketing Director

Appointed
September 2017

Committee membership
Executive

Qualifications
Degree in Business Administration from Loughborough University

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

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

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

Sara joined Mondi in September 2017 as Group Communication & Marketing Director. She also chairs Mondi's Diversity & Inclusion steering committee.

External appointments
None.

Philip Laubscher
63
Company Secretary Mondi Limited

Experience
Philip Laubscher, who holds BProc and LLB degrees and is an attorney of the High Court of South Africa, was in-house counsel with national power utility Eskom for 15 years before joining Mondi in 1999 as Head of Legal Services. He was appointed Company Secretary of Mondi Limited in January 2001.

Jenny Hampshire
35
Company Secretary Mondi plc

Experience
Jenny Hampshire, a fellow of the Institute of Chartered Secretaries & Administrators, joined Mondi in May 2007 and has held various roles in the company secretariat, including five years as Assistant Company Secretary. She was appointed Company Secretary of Mondi plc in December 2016. Prior to joining Mondi Jenny worked for The BOC Group plc in its company secretariat.

Philip and Jenny work together on the coordination of Mondi's DLC structure.

DLC executive committee

In 2018 we continued to make strong progress on our major capital projects, while maintaining our day-to-day operational focus on safety, quality and efficiency. Our discussions centred around our ambitions on digitalisation, D&I and opportunities to grow our packaging and paper solutions in a way that meets the needs of our customers, their products and the planet.

Peter Oswald
Chair of the DLC executive committee

Composition

Members throughout the year	Committee member since	Meeting attendance (nine meetings in the year)
Erik Bouts[1]	May 2017	9
Markus Gärtner[2]	October 2018	2
Michael Hakes[3]	April 2018	6
Georg Kasperkovitz[4]	May 2017	8
Andrew King	May 2007	9
John Lindahl	August 2011	9
Vivien McMenamin	October 2017	9
Peter Orisich	May 2017	9
Peter Oswald, chair	May 2007	9
Sara Sizer	September 2017	9
Clemens Willée[5]	May 2017	7

1 Erik Bouts stepped down from the committee on 23 December 2018. Erik attended all meetings up to the time of his departure
2 Markus Gärtner was appointed to the committee on 1 October 2018. Markus attended all meetings following his appointment
3 Michael Hakes was appointed to the committee on 1 April 2018. Michael attended all meetings following his appointment
4 Georg Kasperkovitz was unable to attend one meeting during the year due to a meeting with a significant customer
5 Clemens Willée stepped down from the committee on 30 September 2018. Clemens attended all meetings up to the time of his departure

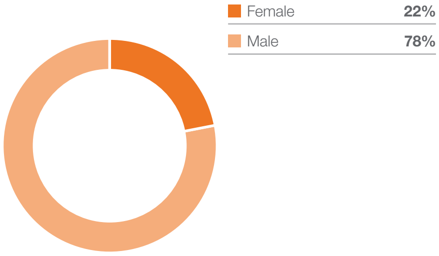
Other regular attendees

- → Representatives from corporate functions, each of whom present on relevant topics

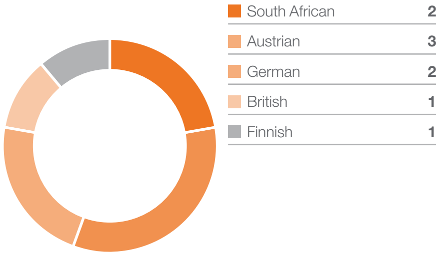
Key responsibilities

- → Day-to-day management of the Group within the limits set by the Boards, including implementation of operational decisions
- → Strategy implementation, including a more in-depth annual strategy session
- → Risk identification and the management of mitigation of those risks
- → Monitoring financial, operational and safety performance, in particular monitoring the achievement of budgets, forecasts and targets
- → Policy implementation

Diversity of the executive committee
%



Nationalities represented on the executive committee



Key policies

Dealing in securities

The Boards have adopted a share dealing code for dealing in the securities of Mondi Limited and Mondi plc. The code is based on regulatory and governance best practice in South Africa and the UK and sets out in detail the restrictions placed on directors, senior management and other key employees with regard to their share dealing to ensure that they do not abuse their access to information about the Group pending its public release and availability to shareholders. The code is accompanied by clear procedures and guidelines.

The code is reviewed regularly to ensure continued compliance with regulation and best practice. A thorough review and revision of the code was undertaken in 2016 to reflect the introduction of the EU Market Abuse Regulation. Relevant employees are regularly reminded of their obligations and the procedures they are required to follow.

Mondi has established a disclosure committee, of which the Chief Executive Officer, the Chief Financial Officer and the Company Secretaries of Mondi Limited and Mondi plc are members, to monitor Mondi's obligations in this regard.

The committee is responsible for determining whether information should be classified as inside information in accordance with regulation and for procuring the prompt release of such information, or agreeing a delay in disclosure, as appropriate. If disclosure is delayed, the committee will ensure that the conditions set out in regulation are met, including to maintain confidentiality of information. The committee will oversee the creation and maintenance of insider lists, minimising the risk of an accidental leak or share dealing by employees while in possession of inside information.

The disclosure committee meets regularly throughout the year.

All dealings by directors and persons discharging managerial responsibilities and their closely associated persons are announced to the JSE and the LSE when they occur. Details of the directors' interests in the shares of both Mondi Limited and Mondi plc can be found on pages 137 and 138.

Business ethics

Mondi continues to have a stated policy of zero tolerance of bribery and corruption. Ethical decision-making and behaviour both at board level and throughout the business is fundamental to Mondi's governance. The Boards have adopted a Code of Business Ethics that governs our corporate conduct and which applies throughout the Group. The code sets out five fundamental principles that govern the way in which Mondi and its employees conduct business. Three of the principles are monitored and reviewed by the sustainable development committee (human rights, stakeholders and sustainability) and two by the audit committee (legal compliance and honesty and integrity). More information about Mondi's approach to anti-bribery and anti-corruption can be found on page 63.

Other than as set out in our online sustainability report, Mondi has not received any material fines or non-monetary sanctions for non-compliance with laws and regulations.

Remuneration report
Statement from the DLC Remuneration Committee Chair

I am committed to overseeing a transparent and open approach regarding our framework and policy for remuneration.

Tanya Fratto
Chair of the DLC remuneration committee

Fellow shareholder, it is with pleasure that I present the committee's report on directors' remuneration.

Due to Mondi's DLC structure we are required to comply with both UK and South African voting regulations. The Directors' Remuneration Policy (DRP)[1] remains unchanged, having been approved by shareholders under the required triennial binding vote of Mondi plc shareholders at the AGM in 2017 with a vote of over 95% in favour, and endorsed by Mondi Ltd shareholders in 2017 and 2018 with votes of over 95% and 98% in favour. The same policy will be tabled for the usual annual advisory vote by Mondi Limited shareholders in 2019, in accordance with South African regulations. The remainder of this Directors' Remuneration Report, which describes how the policy was implemented in 2018, will be put to the usual advisory vote by shareholders of both Mondi Limited and Mondi plc.

Remuneration principles

Remuneration for our executive directors is based on the principles of pay for performance, alignment with shareholders and simplicity. Annual bonuses are dependent on a scorecard of mainly financial and some non-financial elements, and 50% of any bonus is deferred into Mondi shares for three years. The Long-Term Incentive Plan (LTIP) is aligned to sustained, 3-year performance, measured through percentage Return on Capital Employed (ROCE), and our relative total shareholder return (TSR) compared to other international companies in our sector. Executive directors are also required to build a personal shareholding in Mondi of 200% of their base salary.

Performance and remuneration for 2018

As described in the Strategic report, Mondi's financial performance, which has a weighting of 70% of the annual bonus (compared with a weighting of 60% in 2017), was strong. ROCE performance was 23.6% and underlying EBITDA was €1,764 million, relative to 19.3% and €1,482 million in 2017[2]. Bonus performance outcomes against the targets that were set are outlined in the annual report on remuneration.

Following feedback from shareholders, underlying EBITDA and ROCE ranges that bonuses are based on are now being disclosed for the year under review. In previous years this was done on a prior year, retrospective basis. This brings the disclosure of financial bonus ranges into line with the disclosure of the safety and personal objectives elements.

Performance outcomes are reflected in the remuneration received by directors:

→ Annual bonuses of 88% of the maximum have been awarded in respect of performance in 2018 for Peter Oswald and 89% for Andrew King. This recognises the Group's financial performance as well as performance for the personal, operational and strategic objectives that were set at the start of the year. In terms of safety performance, the total recordable case rate (TRCR) in 2018 was 0.68, within the range set. As a result of the tragic and unacceptable fatality of a contractor engaged in Mondi operations the payment under the safety element of the bonus was limited to the portion which was attributable to total recordable incidents.

→ The performance period for the 2016 LTIP ended on 31 December 2018. Half of the award was based on ROCE performance and the other half on relative TSR performance. ROCE for the three-year performance period was 21.2%, above the stretch performance requirement of 16%. The Group's TSR over the period was 10.3% for Mondi plc and 13.3% for Mondi Limited, which placed it above the median of the comparator group. As a result of this performance, 100% of the ROCE element, and 53.1% of the TSR element, and therefore 76.6% of the overall LTIP award, vested.

2019 implementation

Base salary increases of 2.7% were implemented with effect from 1 January 2019, after consideration of percentage increases for the wider employee population.

The committee will continue to operate an annual bonus and LTIP in 2019 within the limits set by the DRP and subject to challenging performance requirements. The ROCE metric which applies to 50% of the LTIP award currently has a performance range of 10% at threshold and 18% at stretch. The committee has decided to further increase the performance requirements at threshold under this metric to 12% ROCE, with effect from the 2019 awards.

UK Corporate Governance Code

The committee has monitored developments in corporate governance, both in the UK and South Africa. We have considered the changes to the UK Corporate Governance Code and the amendments to the UK directors' remuneration report requirements under the UK Companies Act. Requirements under both of these apply from the 2019 financial year, and will be reflected in Mondi's Integrated report for 2019. Many of the new requirements Mondi already complies with, for example:

→ the remuneration committee's scope of responsibilities already includes all members of the DLC executive committee, and the committee has oversight of the wider workforce remuneration;

1 The full policy can be found on pages 123 to 129 of this report, and in the 2016 and 2017 integrated reports on Mondi's website
2 The 2017 figures have been restated for adoption of IFRS 16 'Leases' as disclosed in notes 32 and 33 of the combined and consolidated financial statements

- a two-year, post-vesting holding period for LTIP awards to executive directors already applies to awards which were granted from 2017 onwards. This holding period continues to apply post cessation of employment;
- malus and clawback rules are already in place for executives' incentive plans and have been further enhanced with effect from 2019 onwards; and
- the committee already provides information in the Remuneration Report on the impact of share price growth on the vesting value for LTIP awards, and this year has included the potential impact of share price appreciation on remuneration outcomes in the scenarios chart in the policy section of the report.

The committee is also considering the impact of changes to the Code in relation to pension and post-employment shareholding requirements for the executive directors.

Conclusion

Our remuneration policy and practices are designed to drive achievement of the Group's business objectives and deliver sustainable shareholder value. The remuneration for 2018 reflects Mondi's success in the continued delivery of our strategy.

Thank you for the strong support you have given for our remuneration approach in prior years. I hope that you will give your support again for the 2019 Annual General Meetings.

Tanya Fratto
Chair of the DLC remuneration committee

The report

The report has been prepared by the DLC remuneration committee and approved by the boards of Mondi Limited and Mondi plc (together 'the Boards'). PricewaterhouseCoopers Inc. and PricewaterhouseCoopers LLP have independently audited the items stipulated in the regulations:

- executive directors' and non-executive directors' remuneration and associated footnotes on page 130;
- the table of share awards granted to executive directors and associated footnotes on page 139; and
- the statement of directors' shareholdings and share interests in Mondi on pages 137 and 138.

Directors' remuneration policy

This part of the directors' remuneration report sets out the remuneration policy for the Group and has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The policy has been developed taking into account the principles of the governance codes in South Africa and the UK and the views of our major shareholders. The policy was approved by a binding shareholder vote at the Mondi plc Annual General Meeting on 11 May 2017, and endorsed at Mondi Limited's Annual General Meetings in 2017 and 2018.

The Group's remuneration policy has been set with the objective of attracting, motivating and retaining high-calibre directors, in a manner that promotes the long-term success of the Group, is consistent with best practice and aligned with the interests of the Group's shareholders.

Remuneration policy for executive directors is framed around the following key principles:

- remuneration packages should be set at levels that are competitive in the relevant market;
- the structure of remuneration packages and, in particular, the design of performance-based remuneration schemes, should be aligned with shareholders' interests and should support the achievement of the Group's business strategy and the management of risk;
- a significant proportion of the remuneration of executive directors should be performance-based;
- the performance-based element of remuneration should be appropriately balanced between the achievement of short-term objectives and longer-term objectives; and
- the remuneration of executive directors should be set taking appropriate account of remuneration and employment conditions elsewhere in the Group.

Executive directors' remuneration policy table

The following table summarises key elements of the remuneration of executive directors in accordance with reporting regulations:

	Base salary	Benefits	Pension	Bonus Share Plan (BSP)
Purpose and link to strategy	To recruit and reward executives of a suitable calibre for the role and duties required.	To provide market competitive benefits.	To provide market competitive pension contributions.	To provide incentive and reward for annual performance achievements. To also provide sustained alignment with shareholders through a deferred component.
Operation	Reviewed annually by the committee, taking account of Group and individual performance, changes in responsibility and levels of increase for the broader employee population. Reference is also made to market median levels in companies of similar size and complexity. The committee considers the impact of any base salary increase on the total remuneration package. Salaries (and other elements of the remuneration package) may be paid in different currencies as appropriate to reflect their geographic location.	The Group typically provides: → car allowance or company car; → medical insurance; → death and disability insurance; → limited personal taxation and financial advice; and → other ancillary benefits, including relocation and assistance with expatriate expenses (as required). The policy authorises the committee to make minor changes to benefits provision from time to time, including if appropriate implementing all-employee share plans up to the limits approved by tax authorities.	Defined contribution to pension, or cash allowance of equivalent value. Only base salary is pensionable.	Awards are based on annual performance against a balanced scorecard of metrics as determined by the committee from time to time such as underlying EBITDA and percentage ROCE and safety. These have the highest weighting (currently 80% of the total). Individual performance is also assessed against suitable objectives, and currently has a 20% weighting. The policy gives the committee the authority to select suitable performance metrics, aligned to Mondi's strategy and shareholders' interests, and to assess the performance outcome. Half of the award is delivered in cash and half in deferred shares which normally vest after three years (subject to service conditions), and with no matching element. On vesting of deferred shares, participants receive a bonus of equivalent value to the dividends that would have been payable on those shares between the date when the awards were granted and when they vest. Malus and clawback provisions apply to awards made since January 2011.
Maximum opportunity	There is no prescribed maximum salary or annual increase. However, increases will normally be no more than the general level of increase in the UK market or the market against which the executive's salary is determined. On occasions a larger increase may be needed to recognise, for example, development in role or change in responsibility. Details of the outcome of the most recent review are provided in the annual report on remuneration.	Maximum values are determined by reference to market practice, avoiding paying more than is necessary.	The maximum company pension contribution for executive directors is 25% of base salary.	The maximum annual bonus is 175% of base salary. The committee applied a limit of 165% for the Chief Executive Officer and 135% for other executive directors for the 2017 and 2018 performance years (i.e. below the policy maximum).

	Long-Term Incentive Plan (LTIP)	Share ownership policy
Purpose and link to strategy	To provide incentive and reward for the delivery of the Group's strategic objectives, and provide further alignment with shareholders through the use of shares.	To align the interests of executive directors with those of shareholders.
Operation	Individuals are considered each year for an award of shares that vest after three years to the extent that performance conditions are met and in accordance with the terms of the plan approved by shareholders. Under the plan rules, in exceptional circumstances, the committee has the ability to cash-settle awards, if necessary. There is no current intention for awards to the executive directors to be delivered in this way. Awards are granted subject to continued employment and satisfaction of stretching performance conditions measured over three years, which are set by the committee before each grant. For awards to be granted in 2019, metrics comprise TSR against a suitable peer group, and percentage ROCE, each with a 50% weighting. The vesting outcome can also be reduced, if necessary, to reflect the underlying or general performance of the Group. Performance is measured over three calendar years, starting with the year of grant. For awards granted from 2013 onwards, an amount equivalent to dividends that would have been payable on the unvested share awards are rolled up and paid out (in cash and/or additional shares) at the end of the vesting period based on the proportion of the award that actually vests. Malus and clawback provisions apply to awards made since January 2011. A post-vesting holding period applies to executive directors for awards made from 2017 onwards. Executive directors are required to retain the LTIP shares that vest (net of tax) for a period of two years. The two-year holding requirement will continue if they leave employment during the holding period. The shares held will count towards the executive director's normal holding requirement.	Executive directors are required to acquire and maintain shareholdings in Mondi Limited or Mondi plc to a minimum of 200% of base salary. The maximum shareholding requirement must be met within no more than five years from the date of appointment. While the executive director is building to the required shareholding level, deferred bonus awards under the BSP, net of the expected tax liability that will apply on vesting, will count towards the requirement. Once the required shareholding has been met, such shares will not count unless the committee, at its sole discretion, determines that a number of deferred shares may count towards the entitlement of a director. Unvested LTIP awards (i.e. those awards where performance targets and/or a service requirement must still be met for awards to vest) will not count towards the entitlement. LTIP shares that have vested and on which tax has been paid and that are within the two-year post-vesting holding period will count towards the entitlement. Previously compliant directors who do not meet the minimum requirements on annual assessment are to achieve compliance by 31 December of the same year. In order to allow the committee to deal with unexpected circumstances, the committee retains discretion on how to operate the Policy and may make exceptions and allowances if it sees fit.
Maximum opportunity	The maximum grant limit is 225% of base salary (face value of shares at grant), to any individual in a single year. For the awards made in 2017 and 2018, the committee made awards, below the policy maximum, of 210% of base salary to the Chief Executive Officer and 175% to other executive directors. 25% of the grant is available for threshold performance, rising on a straight-line scale to 100% of the grant for performance at the 'stretch' level. Individual awards, up to the policy limit, are determined each year by the committee. The committee's practice has historically been to make grants below the policy maximum as detailed in the annual report on remuneration.	Not applicable.

Choice of performance measures and approach to target setting

Bonus Share Plan (BSP)

The table below shows the metrics for 2018, why they were chosen and how targets are set.

Metric	Why chosen?	How targets are set
Underlying EBITDA KPI Page 37	Underlying EBITDA provides a measure of the cash-generating ability of the business that is comparable from year to year.	Targets and ranges are set each year by the committee taking account of required progress towards strategic goals, and the prevailing market conditions.
ROCE (%) KPI Page 36	A key indicator of the efficient and effective use of capital.	Targets and ranges are set each year by the committee taking account of the required progress towards strategic goals, and the prevailing market conditions.
Safety KPI Page 37	One of the key indicators of whether the business is meeting its sustainability goal of zero harm.	The committee considers input from the DLC sustainable development committee, and sets appropriate standards and goals.
Personal performance	An indicator of the contribution each executive director is making to the overall success of the management team.	Targets are set each year by the committee, based on the specific priorities, and areas of responsibility, of the role.

The policy gives the committee the authority to select suitable performance metrics, aligned to Mondi's strategy and shareholders' interests.

Long-Term Incentive Plan (LTIP)

The table below shows the metrics for 2018 grants, why they were chosen and how targets are set.

Metric	Why chosen?	How targets are set
TSR, relative to a peer group of competitors	TSR measures the total returns to Mondi's shareholders, so provides close alignment with shareholder interests.	The committee sets the performance requirements for each grant. A peer group of packaging and paper sector companies is used. Nothing vests below median. 25% vests for median performance; 100% vests for upper quartile performance, with a straight-line scale between these two points.
ROCE (%) KPI Page 36	A key indicator of the efficient and effective use of capital.	The committee sets threshold and stretch levels, aligned to the Group's strategic targets for ROCE. Nothing vests below threshold. 25% vests for threshold performance; 100% vests for stretch performance, with a straight-line scale between these two points.

The policy gives the committee the authority to select suitable performance metrics, aligned to Mondi's strategy and shareholders' interests.

Remuneration policy for executive directors compared to other employees

The remuneration policy for the executive directors and employees varies, which is necessary to reflect the different levels of responsibility and market practices. The key difference is the increased emphasis on performance-related pay in senior roles. Lower maximum incentive pay opportunities apply below executive level, driven by market benchmarks and the relative impact of the role. Only the most senior executives in the Group participate in the LTIP and the BSP as these plans are targeted on those individuals who have the greatest accountability for Group performance.

Executive directors' existing service contracts, and policy on loss of office

CEO

Peter Oswald was recruited, and is based, in Austria. His service contract is required under Austrian law to be for a fixed period, which renewable fixed period expires on 30 April 2022. However, the contract has also been structured as far as possible to conform to the accepted practice for directors in the UK, and can be terminated on one year's notice by either party. Prior to 2008, he did not have a notice period, and was entitled to receive compensation on termination equivalent to remuneration for the unexpired term of the five-year fixed term contract. The committee re-negotiated this contract in 2008 to substantially reduce the Group's potential liabilities, and introduced a standard 12-month notice period, together with an accompanying lump sum payment on termination, which was necessary to facilitate the transition from the previous contract. In the event of termination by Mondi, other than for 'cause', the current contract provides for payment of base salary, benefits and pension contribution in respect of the 12-month notice period and eligibility for annual bonus in respect of the period he has worked. He would also be eligible for a lump sum amount calculated as €908,800 plus interest on this amount accrued at the Euribor interest rate for the period since 1 January 2008.

CFO

The service contract for Andrew King provides for one year's notice by either party. It includes pay in lieu of notice provisions which may be invoked at the discretion of the Group. The payment in lieu of notice would comprise base salary, benefits and pension contributions for the notice period and an amount in compensation for annual bonus only for that part of the financial year the individual has worked.

Any share-based entitlements granted to an executive director under the Group's share plans will be determined based on the relevant plan rules. The default treatment is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, disability, retirement or other circumstances at the discretion of the committee (taking into account the individual's performance and the reasons for their departure) 'good leaver' status can be applied. For good leavers, vesting of BSP awards that are not subject to performance conditions is accelerated to as soon as practical after employment termination. LTIP awards remain subject to performance conditions (measured over the original time period) and are reduced pro rata to reflect the proportion of the performance period actually served. The committee has the discretion to disapply the application of performance conditions and/or time pro rating if it considers it appropriate to do so. However, it is envisaged that this would only be applied in exceptional circumstances. In determining whether an executive should be treated as a good leaver or not, the committee will take into account the performance of the individual and the reasons for their departure.

Notice periods for the executive directors who served during the period under review are as follows:

Executive director	Unexpired term/notice period
Peter Oswald	A fixed term expiring on 30 April 2022 but terminable at any time on 12 months' notice
Andrew King	Terminable on 12 months' notice

A director's service contract may be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination, on the occurrence of certain events such as gross misconduct.

Service contracts for new appointments

Normally, for any new executive director appointments, the Group's policy is that the service contracts should provide for one year's notice by either party. The contract would provide that, in the event of termination by the company, other than for 'cause', the executive would be eligible for:

→ payment of the base salary, pension contribution and benefits in respect of the unexpired portion of the 12-month notice period;
→ annual bonus only in respect of the period they have served, payable following the relevant performance year end and subject to the normal performance conditions for annual bonus; and
→ share-based awards they hold, subject to the plan rules, which include arrangements for pro ration of LTIP awards and continued application of performance conditions.

The Group would seek to apply the principle of mitigation to the termination payment by, for example, making payments in instalments that can be reduced or ended if the former executive wishes to commence alternative employment during the payment period.

In exceptional circumstances, such as to secure for the Group the appointment of a highly talented and experienced executive in a market such as Germany or Austria where it is common for the most senior executives to have three-year or five-year fixed term contracts, the committee may need to offer a longer initial notice period that reduces progressively to one year over a set time period. In such exceptional circumstances, the committee would seek to ensure that any special contract provisions are not more generous than is absolutely necessary to secure the appointment. The committee would also take account of the remuneration and contract features that the executive may be foregoing or relinquishing in order to join Mondi, in comparison with the overall remuneration package that Mondi is able to offer.

Approach to remuneration for new executive director appointments

The remuneration package for a newly appointed executive director would be set in accordance with the terms of the Group's approved remuneration policy in force at the time of appointment. The variable remuneration for a new executive director would be determined in the same way as for existing executive directors, and would be subject to the maximum limits on variable pay referred to in the policy table on pages 124 and 125.

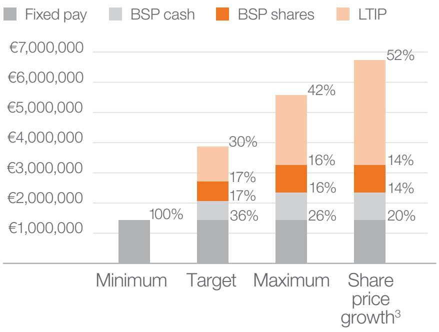
For an internal appointment, any legacy pay elements awarded in respect of the prior role would be allowed to pay out according to their terms.

For internal and external appointments, the Group may meet certain relocation expenses, as appropriate.

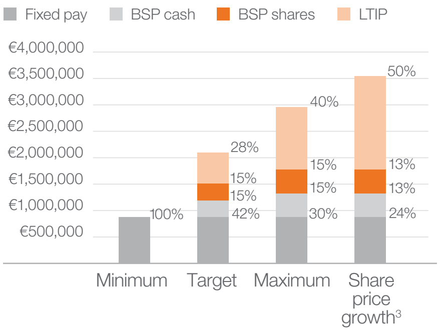
For external appointments, the committee may also offer additional cash and/or share-based elements when it considers these to be in the best interests of Mondi and shareholders, to replace variable remuneration awards or arrangements that an individual has foregone in order to join the Group. This includes the use of awards made under section 9.4.2 of the UK Listing Rules. Any such payments would take account of the details of the remuneration foregone including the nature, vesting dates and any performance requirements attached to that remuneration.

Remuneration scenarios at different performance levels[1,2]

CEO



CFO



The charts above illustrate the total potential remuneration for each executive director at three performance levels.

1 Assumptions:
Minimum = fixed pay only (salary + benefits + pension)
On-target = 70% vesting of the annual bonus and 50% for LTIP awards
Maximum = 100% vesting of the annual bonus and LTIP awards
Salary levels (on which other elements of the package are calculated) are based on those applying on 1 January 2019

2 Benefit values for both the Chief Executive Officer and the Chief Financial Officer exclude the costs of business travel and accommodation

3 To reflect the impact of a share price increase between award and vesting, the LTIP value in the 'Maximum' column has been increased by 50% in the 'Share Price Growth' column

Remuneration policy for non-executive directors

Remuneration policy for non-executive directors

Element	Purpose and link to strategy	Operation	Maximum opportunity
Non-executive chair fees	To attract and retain high-calibre chairs, with the necessary experience and skills. To provide fees which take account of the time commitment and responsibilities of the role.	The Joint Chairs each receive an all-inclusive fee.	The Joint Chairs' fees are reviewed periodically by the committee. While there is not a maximum fee level, fees are set by reference to market median data for companies of similar size and complexity to Mondi.
Other non-executive fees	To attract and retain high-calibre non-executives, with the necessary experience and skills. To provide fees which take account of the time commitment and responsibilities of the role.	The non-executives are paid a basic fee. Attendance fees are also paid to reflect the requirement for non-executive directors to attend meetings in various international locations. The chairs of the main board committees and the senior independent director are paid additional fees to reflect their extra responsibilities.	Non-executive directors' fees are reviewed periodically by the Joint Chairs and executive directors. While there is not a maximum fee level, fees are set by reference to market median data for companies of similar size and complexity to Mondi.

The Group may reimburse the reasonable expenses of board directors that relate to their duties on behalf of Mondi (including tax thereon if applicable). The Group may also provide advice and assistance with board directors' tax returns where these are impacted by the duties they undertake on behalf of Mondi.

All non-executive directors have letters of appointment with Mondi Limited and Mondi plc for an initial period of three years. In accordance with best practice, non-executive directors are subject to annual re-election at the Annual General Meetings. Appointments may be terminated by either party with six months' notice. No compensation is payable on termination, other than accrued fees and expenses.

Statement of consideration of employment conditions elsewhere in the Group

The Group's remuneration policy for the remuneration of executive directors and other senior executives is set taking appropriate account of remuneration and employment conditions of other colleagues in the Group.

The committee annually receives a report from management on pay practices across the Group, including salary levels and trends, collective bargaining outcomes and bonus participation. At the time that salary increases are considered the committee additionally receives a report on the approach management proposes to adopt for general staff increases. Both these reports are taken into account in the committee's decisions about the remuneration of executive directors and other senior executives.

The Group does not engage in formal consultation with employees on directors' remuneration policy. However, employees of the Group are encouraged to provide feedback on the Group's general employment policies. In some countries where the Group operates, more formal consultation arrangements with employee representatives are in place relating to employment terms and conditions, in accordance with local custom and practice. The Group also conducts periodic employee engagement surveys which gauge employees' satisfaction with their working conditions. The Boards receive feedback on these survey results.

Shareholder context

The committee considers the views of shareholders in its deliberations about the remuneration of executive directors and other senior executives, and consults directly with major shareholders when any material changes to policy are being considered.

In the event that either the remuneration policy or implementation resolutions receive a significant proportion of votes against, the committee will seek to further engage with shareholders to understand the reasons behind these votes and any particular concerns they may have.

Legacy arrangements

For the avoidance of doubt, in approving this policy report, authority is given to the Group to honour any commitments entered into with current or former directors that have been disclosed to shareholders in previous remuneration reports. Details of any payments to former directors will be set out in the annual report on remuneration as they arise.

Annual report on remuneration

2018 remuneration of directors (audited)

This table reports executive and non-executive directors' remuneration in accordance with UK reporting regulations applicable to financial reporting periods ending on or after 1 October 2013.

		Base salary/ NED fees[3]	Benefits	Pension contribution[11]	Annual bonus including grant value of BSP award	Value of LTIP vesting in the performance year[5]	Value of LTIP vesting at date of grant[6]	Share price gain on vesting LTIP award between grant and vest dates[7]	Other[8]	Total
Peter Oswald[1]	2018	€1,076,000	€46,962	€269,015	€1,562,352	€1,397,953	€1,162,023	€235,930	€44,361	€4,396,643
	2017	€1,016,194	€41,594	€254,801	€992,320	€1,218,852	€1,001,597	€217,255	€156,028	€3,679,789
Andrew King[2]	2018	€654,467	€64,001	€163,617	€786,326	€1,040,983	€830,806	€210,177	€80,113	€2,789,507
	2017	€643,405	€1,338,076[4]	€160,851	€548,352	€958,503	€785,762	€172,741	€120,361	€3,769,548
Fred Phaswana	2018	€331,159							€2,035	€333,194
	2017	€326,590							€2,054	€328,644
David Williams	2018	€331,159								€331,159
	2017	€326,590								€326,590
Tanya Fratto	2018	€111,773								€111,773
	2017	€105,842								€105,842
Stephen Harris	2018	€109,625								€109,625
	2017	€108,896								€108,896
John Nicholas[9]	2018	€44,546								€44,546
	2017	€107,384								€107,384
Dominique Reiniche	2018	€107,127							€2,035	€109,162
	2017	€97,839							€2,054	€99,893
Stephen Young[10]	2018	€66,950								€66,950
	2017	–								–

1 For 2018, Peter Oswald's maximum annual bonus was 165% of base salary. For the period 1 January 2017 to 11 May 2017, as Chief Executive Officer Europe & International, Peter Oswald's maximum annual bonus was 135% of base salary and was determined with reference to his base salary in that role. For the period from 12 May 2017 to 31 December 2017, his maximum annual bonus was 165% of base salary. His maximum bonus for 2018 was 165% of salary

2 Andrew King's salary is denominated in pound sterling and his 2018 salary was £579,000

3 The non-executive directors' fees are also denominated in pound sterling. Euro amounts are reported based on exchange rates on the dates actual payments were made. Non-executive director fees were increased by circa 2.5% with effect from 16 May 2018 following the passing of a resolution at the Annual General Meetings of Mondi Limited and Mondi plc. See the table on page 137 for current fee levels

4 Mondi asked Andrew King to relocate to the UK from South Africa, to be based closer to the Group's principal centre of operations in Europe. In accordance with the DRP, Andrew was eligible for assistance with relocation expenses. These expenses, and the cost of the grossed-up income tax amount payable to HMRC, amounted to €1,299,029 of the benefits total for 2017. These expenses reflect the cost of stamp duty on the purchase of a UK property, estate agent's commission on disposal of the South African property, return flights for purpose of house-hunting, school search and orientation and packing and removal of household effects to the UK

5 For 2018, the three-year performance cycle of the 2016 LTIP award ended on 31 December 2018. The award value shown has been based on the average share price over the last three months of the financial period. The 2018 LTIP vesting value includes cash amounts of equivalent value to all dividends (including ordinary dividends and, where applicable, special dividends) on vested LTIP awards during the year. For the 2017 LTIP dividend equivalents, these are included in the 2017 'other' column as reported last year. For 2017, the three-year performance cycle of the 2015 LTIP award ended on 31 December 2017. The award value shown in the 2017 remuneration report was an estimate based on the average share price over the last three months of the financial period which was £18.45 for Mondi plc LTIP awards and ZAR 333.46 for Mondi Limited LTIP awards. The actual award price on vesting was £19.81 for Mondi plc LTIP awards and ZAR 327.48 for Mondi Limited LTIP awards. The award values for 2017 have been restated on this basis

6 For 2018, the value is shown of the 2016 LTIP award made at the start of the three-year performance cycle, and for 2017, the value of the 2015 LTIP award made at the start of the three-year performance cycle

7 For 2018, the enhanced value is shown of the 2016 LTIP based on the share price gain between grant and the average share price over the last three months of the financial period. The value of Mondi plc's shares increased from £12.88 to £16.34, and the value of Mondi Limited shares from ZAR 282.00 to ZAR 309.57 during this time. For 2017, the enhanced value is shown of the 2015 LTIP that vested based on share price appreciation during the holding period. The value of Mondi plc's shares increased from £13.30 to £19.81, and the value of Mondi Limited shares from ZAR 234.44 to ZAR 327.48

8 Includes cash amounts of equivalent value to all dividends (including ordinary dividends and, where applicable, special dividends) on vested BSP shares during the year. See table of share awards granted to executive directors on page 139. Accommodation cost for some of Peter Oswald's business trips is, for reasons of UK tax regulation, subject to UK income tax, and is therefore required to be included in the disclosure. The figure for Peter Oswald in the 'Other' column includes €1,960.70 in respect of accommodation cost for this business travel and the cost of any grossed up income tax paid during the year. Accommodation costs in Vienna for Andrew King's business trips are, for reasons of Austrian and UK tax regulation, subject to income tax, and are therefore required to be included in the disclosure. The figure for Andrew King in the 'Other' column includes €58,030.02 in respect of accommodation costs for his business travel and the cost of any grossed up income tax paid during the year. For Fred Phaswana and Dominique Reiniche the taxable values of the UK tax returns are shown

9 John Nicholas' fees for 2018 cover the period to his retirement from the Boards on 16 May 2018

10 Stephen Young's fees for 2018 cover the period from his appointment to the Boards on 1 May 2018

11 None of the executive directors has entitlements under a defined benefit pension scheme. No retrospective payments were made to past directors in respect of the period during which they served as directors and no payments were made to past directors for loss of office

Annual bonus

Approach to disclosure of bonus targets

Since its 2012 report, Mondi has disclosed the performance measures used for the annual bonus as well as outcomes against these measures.

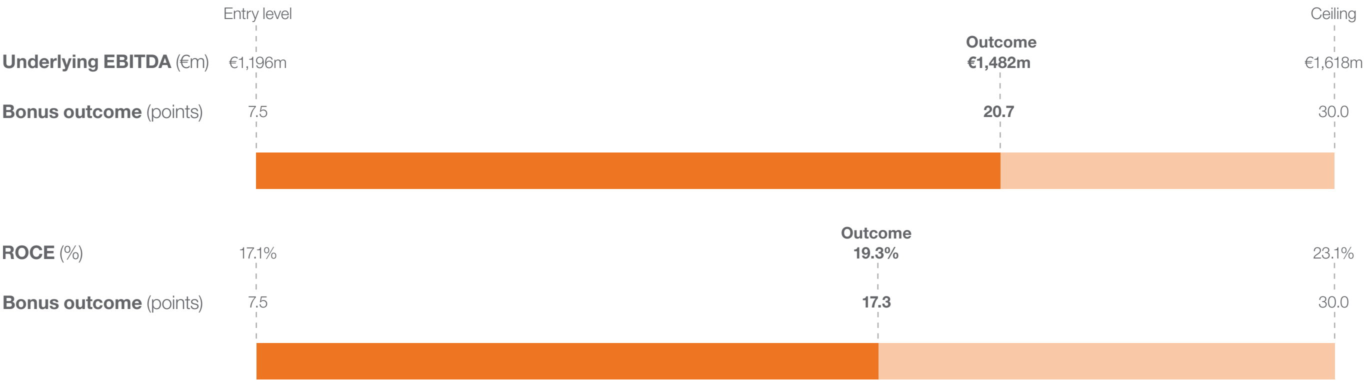
In the 2015, 2016 and 2017 reports we went substantially further in providing details of the performance against safety objectives that were set for the year under review. In the case of executives' personal objectives we described the achievements of our executives against key focus areas, together with the ratings awarded to each executive.

In the case of financial performance, we provided retrospective disclosure of the financial bonus ranges and outcomes for the year prior to the year under review. We additionally provided outline disclosure of financial bonus outcomes for the year under review.

Following feedback from shareholders we are, for this report, providing disclosure of the financial bonus ranges for the year under review.

In addition to this we are retrospectively providing the financial target ranges and outcomes for 2017 as we indicated we would do in the 2017 remuneration report.

2017 ranges and outcomes (audited)[1]



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 32 and 33 of the combined and consolidated financial statements. The bonus outcomes were calculated based on the reported 2017 annual financial statements before they were restated. However, restated figures are shown in the graph for consistency with the rest of this Integrated report

2018 bonus outcomes (audited)

For the annual bonus in respect of 2018 performance, the performance measures and achievement levels were:

	BSP performance measures				
	Underlying EBITDA	**ROCE**	**Safety**	**Personal**	**Total**
Weight	35	35	10	20	100
Outcomes:					
Peter Oswald	35	35	3	15	88
Andrew King	35	35	3	16	89

Financial element of 2018 bonus (audited)

Financial performance was assessed against the underlying EBITDA and ROCE ranges that were set for 2018. The ranges and outcomes were:

2018 Financial bonus elements

Safety element of 2018 bonus (audited)

A maximum of 10 points are awarded for safety. Up to five points are awarded, based on the assessment of the Total Recordable Case Rate (TRCR), as follows:

2018 Safety bonus elements

The other five points were payable if there were no fatalities within the Mondi Group. If there is one fatality then these five points are forfeited. If there are two fatalities during the year then the entire 10 points attributable to safety are forfeited.

The TRCR that was achieved for 2018 was 0.68 and three points were therefore awarded for this part of the safety element. As a result of the tragic and unacceptable fatality of a contractor engaged in Mondi's operations as reported on page 51, no payment was made under this part of the safety element.

Personal objectives of executives for 2018 bonus (audited)

Key objectives and achievements	
The executive directors share many key objectives and also have individual objectives that are specific to their roles. Key objectives, and achievements against these objectives during 2018, included:	
Strategy development and execution	→ Kraft paper footprint improved with successful modernisation and expansion of cost-advantaged Štětí mill (Czech Republic) and divestiture of high cost mill in the US → Progressing with investment in new kraft top white machine at Ružomberok (Slovakia), after having received final permits during the year. Pulp mill upgrade in progress → Investigation and evaluation of alternatives for the modernisation of the Richards Bay mill (South Africa) → Industrial bags footprint optimised via two acquisitions in Egypt and closure of plants in the US and Europe → Corporate simplification announced and in progress → Acquisition of Powerflute (Finland) completed and a number of acquistions considered
Organisational performance	→ Strong operational performance across the Group → Continued good progress on cost management → Integration of acquisitions on track and synergies above plan → Selective digitalisation projects across all business units in progress
Financial efficiency and financing	→ Maintained upgraded Moody's Baa1 rating and Standard & Poor's BBB+ → €600 million Eurobond successfully launched, ensuring strong Group liquidity → Further progress on tax risk mitigation
Organisational structure and resourcing	→ Key senior appointments made during the year → Reorganisation of the Packaging Paper and Fibre Packaging business units to improve strategic alignment and operational coordination across the fibre-based packaging value chain → Record participation of 1,200 people at the Mondi Academy, celebrating its 20th anniversary
Stakeholder relationships	→ Extensive roadshows and individual meetings held throughout the year with existing and potential investors → In-depth investor perception study undertaken and action plan developed to further enhance shareholder engagement → Virtual leadership meetings introduced to enhance group-wide communication with employees
The ratings of the two executive directors were:	Peter Oswald 15/20 Andrew King 16/20

Detail of annual bonus awarded in the year

Name	Awarded in cash	Awarded in shares	Total
Peter Oswald	€781,176	€781,176	€1,562,352
Andrew King	€393,163	€393,163	€786,326

Malus and clawback

Under Mondi's BSP and LTIP rules, malus and clawback can be applied to awards made on or after 1 January 2011 if there has been a misstatement of financial results, or misstatement of performance relative to the conditions that are relevant to the Plans, that had the effect that awards were larger than they would have been had such errors not been made. This may at the committee's discretion take the form of a demand for the participant to repay amounts to Mondi, a reduction of future bonus payments to the participant, and a reduction in the number of conditional share awards held by a participant. For awards from 2019 onwards the potential malus and clawback triggers have been extended to include gross or serious misconduct, corporate failure, a severe downturn in financial or operational performance or severe reputational damage where this is as a result of management failure. In the case of employment termination Mondi is able to cancel subsisting but unvested share awards, withhold payments that would otherwise be due to the participant, and where appropriate initiate legal proceedings to recover funds to which the Group is legally entitled.

The committee considered whether there were any circumstances in the year that would have required clawback and agreed that such circumstances did not exist.

Long-Term Incentive Plan (LTIP) (audited)

Vesting of the 2016 awards

The LTIP awards that were made in 2016, with a three-year performance period ending on 31 December 2018, were assessed by the committee in February 2019, against the (equally weighted) relative TSR and ROCE performance conditions.

The three-year ROCE that was achieved was 21.2% (20.3% in 2016, 19.3% in 2017 and 23.6% in 2018). As this exceeded the 10% to 16% ROCE target range for these awards, 100% of the shares attributable to the ROCE performance condition vested in March 2019.

Vesting of the 2016 awards

Mondi plc achieved a TSR of 10.3%, and Mondi Limited 13.3%, over the performance period and Mondi's rank within the TSR peer group was 7th. This was above the median position required for vesting of 25% of the relevant shares, but below the upper quartile required for full vesting. Based on the performance calculation performed for the committee by Aon, 53.1% of the shares attributable to this element vested.

TSR peer group ranking

Overall, 76.6% of the 2016 LTIP shares under award therefore vested with the remainder lapsing. For Peter Oswald, 65,932 of the 86,073 shares under award vested. For Andrew King, 33,721 of the 44,022 Mondi plc shares under award and 14,579 of the 19,032 Mondi Limited shares vested. No discretion was exercised by the committee in determining the vesting outcomes.

As shares vested on 7 March 2019, after the finalisation of this report, the average share price, and average exchange rates, over the last three months of the financial year were used to estimate the value for the purpose of the table on page 130. The average share price was £17.65 for the Mondi plc LTIP awards and ZAR329.45 for the Mondi Limited LTIP awards.

Awards granted in 2018

The maximum award that can be made to any LTIP participant in any year under the policy approved at the 2017 AGMs is equal to 225% of base salary. For 2018, the award made to Peter Oswald was 210% of base salary and the award made to Andrew King was 175% of base salary.

For the LTIP awards made in 2018, the performance conditions are based on two performance measures of equal weight – relative TSR and ROCE – measured over a three-year performance period ending on 31 December 2020. This combination of metrics provides an appropriate means of aligning the operation of the LTIP with shareholders' interests and the Group's business strategy.

The TSR performance condition is based on the Group's TSR relative to a group of competitor companies. Since the 2013 LTIP awards, the following companies were selected:

Amcor	Domtar	Huhtamaki (2017)[4]	MeadWestvaco[1]	Sappi	The Navigator Company[2]
Bemis	DSSmith	International Paper	Metsä Board	Smurfit Kappa	UPM
BillerudKorsnäs	Holmen	Mayr-Melnhof	RPC (2017)[4]	Stora Enso	WestRock[3]

1 MeadWestvaco was included in LTIP awards until its merger with Rock Tenn in 2015 when it was, in accordance with committee practice, removed from the peer group for all subsisting awards
2 Portucel Soporcel Group rebranded in February 2016 as The Navigator Company
3 WestRock, the company that was formed by the merger of MeadWestvaco and Rock Tenn, has been included in the peer group for 2016 and subsequent awards
4 Huhtamaki and RPC were added to the peer group for 2017 and subsequent awards

For the 50% of awards attributable to TSR: If the Group's TSR is below the median when ranked against the comparator group, this part of the award will lapse in full. For TSR at the median, 25% of this part of the award (i.e. 12.5% of the total award) will vest, with a straight-line progression to the upper quartile, at which point 100% of this part of the award (i.e. 50% of the total award) will vest.

For the 50% of awards attributable to ROCE: This part will lapse in full if ROCE is below 10%. 25% of this part of the award (i.e. 12.5% of the total award) will vest for achievement of ROCE of 10%, with a straight-line progression to full vesting of this part of the award for achievement of ROCE of 18% (i.e. 50% of the total award).

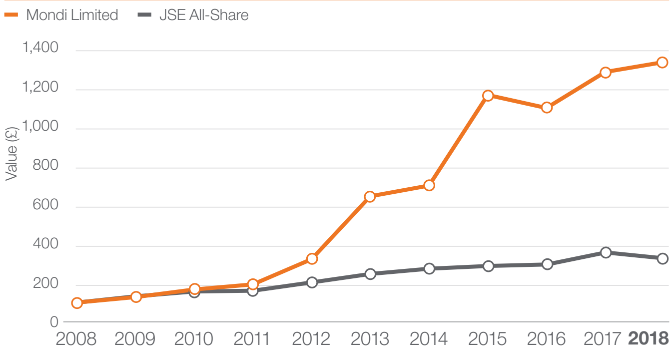
For the 2019 awards, the peer group remains unchanged from 2018.

Details of the awards granted in 2018 can be found on page 139.

Mondi's TSR performance over the last ten years

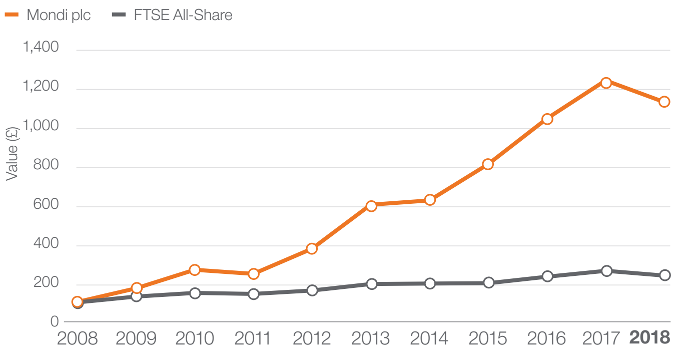
The following graphs set out the comparative TSR of Mondi Limited relative to the JSE All-Share Index, and Mondi plc relative to the FTSE All-Share Index, for the period between 31 December 2008 and 31 December 2018 as required in the reporting regulation. Those indices were chosen because they are broad equity market indices of which Mondi Limited and Mondi plc, respectively, are members.

JSE All-Share Index
Total shareholder return
Source: Thomson Reuters (Datastream)



This graph shows the value, by 31 December 2018 of R100 invested in Mondi Limited on 31 December 2008, compared with the value of R100 invested in the JSE All-Share Index on the same date

FTSE All-Share Index
Total shareholder return
Source: Thomson Reuters (Datastream)



This graph shows the value, by 31 December 2018 of £100 invested in Mondi plc on 31 December 2008, compared with the value of £100 invested in the FTSE All-Share Index on the same date

CEO remuneration from 2009

Year	Total remuneration	% of maximum bonus earned	% of LTI vested
2018	€4,396,643	88	76.6
2017	€3,828,077[1,2]	63	72.5
2016	€5,786,958	68.7	92.5
2015	€7,016,785	89.6	100
2014	€7,763,908	91.6	100
2013	€5,900,140	73	100
2012	€6,305,794	80	100
2011	€12,824,112[3]	78	92
2010	€3,160,318	89	33
2009	€2,627,196	83	12

1 For 2017 the CEO remuneration reflects David Hathorn's remuneration up to his retirement from the Boards on 11 May 2017, including the pro rata CEO annual bonus, and Peter Oswald's base salary, pension, benefits and pro rata CEO annual bonus, as well as the 2015 LTIP vesting amount, with effect from 11 May 2017

2 In 2017, the three-year performance cycle of the 2015 LTIP award ended on 31 December 2017. The award value shown in the 2017 Remuneration report was an estimate based on the average share price over the last three months of the financial year which was £18.45 for Mondi plc LTIP awards and ZAR 333.46 for Mondi Limited LTIP awards. The actual share price on vesting was £19.81 for Mondi plc LTIP awards and ZAR 327.48 for Mondi Limited LTIP awards. The total remuneration for 2017 has been restated on this basis

3 David Hathorn's remuneration in 2011 included €3.9 million from the proceeds of a one-off, shareholder approved, share award under a Co-Investment Plan he participated in at the time of the Group's demerger from Anglo American plc in 2007. Under this plan, he invested £1 million from his own funds in Mondi plc shares in August 2007. He was eligible to receive a match of up to 250% of the number of investment shares based on a relative TSR performance measure over a four-year period. As the TSR achieved by Mondi plc was better than the upper quintile – Mondi was the top-performing company in the comparator group – the committee approved the maximum vesting in accordance with the Plan rules

Comparison of 2018 and 2017 remuneration of CEO with other employees

	Percentage change in remuneration elements from 2017 to 2018		
	Salary	Benefits	Bonus
CEO[1]	2.6%	-5.8%	54.1%
Mondi Group[2]	3.1%	N/A[3]	13.4%[4]

1 For 2017 the CEO remuneration reflects David Hathorn's remuneration up to his leaving the Boards on 11 May 2017, and Peter Oswald's base salary, pension, benefits and pro rata CEO annual bonus remuneration thereafter. Remuneration is reported in euros but denominated in pound sterling for David Hathorn. See the table on page 130. Change percentages are for euros values

2 Includes salaries and bonuses (where applicable) for all employees of Mondi Group excluding the CEO with year-on-year movements reported in per capita terms

3 In most of the Group the majority of benefits are provided through social security. Additional benefits represent less than 5% of the salary bill

4 Aggregate bonuses paid during 2018 are compared with those paid in 2017. This includes annual bonuses that are paid in arrears and periodic bonuses that are paid more frequently. Each year's numbers therefore include some payments attributable to that year and some that reflect performance in the previous year. Bonuses are often based on specific objectives that are set at the level of local operations that do not necessarily correlate with group-wide metrics that underpin the CEO's bonus

Relative importance of spend on pay

€ million	2018	2017	% change
Dividends	793[2]	273	190.8%
Overall remuneration expenditure[1]	1,039	1,053	-1.4%

1 Remuneration expenditure for all Mondi Group employees

2 This includes ordinary and special dividends. Ordinary dividends €309 million and special dividends €484 million

Non-executive directors' remuneration (audited)

Current fee levels are as follows:

Role	Annual fee[2]
Joint chair fee[1]	£296,500
Non-executive base fee	£47,350
Additional fees:	
Supplement for DLC audit committee chair	£11,840
Supplement for DLC remuneration committee chair fee	£11,270
Combined supplement for DLC sustainable development committee & Mondi Limited social & ethics committee chair	£11,270
Supplement for senior independent director	£11,270
Supplement for senior independent director role if held by a non-executive who already chairs a committee	£6,150
Attendance fee per meeting (outside country of residence)	£5,920
Attendance fee per day (inside country of residence)	£1,770

1 No supplement is payable for additional commitments in relation to this role
2 Fees are determined in pound sterling. In the remuneration table on page 130, euro amounts are reported based on exchange rates on the dates actual payments were made

The joint chairs and the other non-executive directors are appointed by Mondi Limited and Mondi plc. The terms of their appointment provide for the appointment to be terminable on six months' notice.

Statement of directors' shareholdings and share interests (audited)

Until the Annual General Meetings in May 2017, the CEO was required to achieve and maintain a shareholding equivalent to 150% of base salary, and other executive directors a shareholding of at least 100% of base salary. From the AGMs in 2017, all executive directors are required to build a holding of a minimum of 200% of base salary, normally within a period of not more than five years from joining the Boards. As at 31 December 2018, Peter Oswald was compliant. Despite increasing his shareholding year-on-year by 5,000 shares, due to a number of factors, Andrew King was not compliant as at 31 December 2018. To remain compliant with the minimum requirement, Andrew will retain sufficient of the shares released to him under the BSP vesting in March 2019 to meet the policy.

The beneficial and non-beneficial share interests of the directors and their connected persons as at 1 January 2018 (or, if later, on appointment), and as at 31 December 2018 (or as at their date of resignation if earlier) were as follows:

Executive directors (audited)

	Shareholding at 1 Jan 2018	Shareholding at 31 Dec 2018	Total shareholding as multiple of salary (%)	Deferred BSP shares outstanding at 31 Dec 2018[1]	Deferred BSP shares as multiple of salary (%)	Deferred LTIP shares outstanding at 31 Dec 2018[2]	Deferred LTIP shares as multiple of salary (%)
Peter Oswald							
Mondi plc	154,872	172,391	294%	71,018	121%	290,507	495%
Andrew King							
Mondi plc	60,000	65,000		36,527		133,635	
Mondi Limited	208	208		10,352		34,828	
Total	60,208	65,208	186%	46,879	133%	168,463	479%

1 BSP shares subject to service condition
2 LTIP shares subject to service and performance conditions

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Non-executive directors (audited)	Shareholding at 1 Jan 2018	Shareholding at 31 Dec 2018
Mondi plc		
Fred Phaswana	5,482	5,773
David Williams	5,000	5,000
Stephen Harris	1,000	1,000
Tanya Fratto	1,000	1,000
John Nicholas	6,000	6,000 as at resignation
Dominique Reiniche	1,000	1,000
Stephen Young	–	2,026

There has been no change in the interests of the directors and their connected persons between 31 December 2018 and the date of this report.

Remuneration committee governance

The DLC remuneration committee

The DLC remuneration committee is a formal committee of the Boards. Its remit is set out in terms of reference adopted by the Boards. A copy of the terms of reference is available on the Group's website at www.mondigroup.com. The committee's performance against these terms of reference is reviewed on an annual basis and the committee is satisfied that it has acted in accordance with its terms of reference during the year.

The primary purposes of the committee, as set out in its terms of reference, are:

- → to make recommendations to the Boards on the Group's framework of executive remuneration;
- → to determine individual remuneration packages within that framework for the executive directors and certain senior executives;
- → to determine the remuneration of the joint chairs; and
- → to oversee the operation of the Group's share schemes.

Composition

Members throughout the year:	Committee member since:	Meeting attendance (five meetings in the year):
Tanya Fratto, chair	January 2017	5
Stephen Harris	March 2011	5
Dominique Reiniche	October 2015	5
David Williams	May 2007	5

Other regular attendees

- → Chief Executive Officer
- → Joint Chair who is not a member of the committee (Fred Phaswana)
- → Group Head of Reward
- → External remuneration consultant

The committee is authorised to seek information from any director and employee of the Group and to obtain external advice. The committee is solely responsible for the appointment of external remuneration advisers and for the approval of their fees and other terms. No director or other attendee takes part in any discussion regarding his or her personal remuneration.

In the year to 31 December 2018, New Bridge Street (NBS), part of Aon, provided remuneration advice and benchmarking data to the committee. NBS is appointed by the committee, taking account of their experience and expertise in remuneration advisory work. The committee expects the advisers to provide independent advice. NBS does not undertake any other work for the Group. However, Aon provides actuarial advice to the trustees of Mondi's three UK pension schemes and pension administration services. NBS is a signatory to The Code of Conduct of the Remuneration Consultants Group, which requires the advice NBS provides to be objective and impartial. Total fees paid to NBS in respect of the year under review were £94,337 based on consulting time required by the committee.

Sums paid to third parties in respect of a director's services

No consideration was paid or became receivable by third parties for making available the services of any person as a director of Mondi Limited or Mondi plc ('the Companies'), or while a director of the Companies, as a director of any of the Companies' subsidiary undertakings, or as a director of any other undertaking of which he/she was (while a director of the Companies) a director by virtue of the Companies' nomination, or otherwise in connection with the management of the Companies or any undertaking during the year to 31 December 2018.

Share awards granted to executive directors (audited)

The following tables set out the share awards granted to the executive directors. All share awards are determined by the three day average share price commencing the day Mondi announces its results.

Mondi Limited

	Type of award[1]	Awards held at beginning of year or on appointment to the Boards	Awards granted during year	Shares lapsed	Awards exercised during year	Award price basis (ZAc)	Date of award	Awards held as at 31 December 2018	Release date
Andrew King	BSP	6,543			6,543	23444	Mar 15		Mar 18
	BSP	6,744				28200	Mar 16	6,744	Mar 19
	BSP	3,608				30352	Mar 17	3,608	Mar 20
	LTIP	17,985		4,945	13,040	23444	Mar 15		Mar 18
	LTIP	19,032				28200	Mar 16	19,032	Mar 19
	LTIP	15,796				30352	May 17	15,796	Mar 20

1 For note 1 please refer to the table below

Mondi plc

	Type of award[1]	Awards held at beginning of year or on appointment to the Boards	Awards granted during year	Shares lapsed	Awards exercised during year	Award price basis (GBp)	Date of award	Awards held as at 31 December 2018	Release date
Peter Oswald	BSP	27,029			27,029	1330	Mar 15		Mar 18
	BSP	30,258				1288	Mar 16	30,258	Mar 19
	BSP	17,730				1876	Mar 17	17,730	Mar 20
	BSP		23,030			1922	Mar 18	23,030	Mar 21
	LTIP	75,910		20,875	55,035	1330	Mar 15		Mar 18
	LTIP	86,073				1288	Mar 16	86,073	Mar 19
	LTIP	99,555				1876	May 17	99,555	Mar 20
	LTIP		104,879			1922	Mar 18	104,879	Mar 21
Andrew King	BSP	15,164			15,164	1330	Mar 15		Mar 18
	BSP	15,599				1288	Mar 16	15,599	Mar 19
	BSP	8,427				1876	Mar 17	8,427	Mar 20
	BSP		12,501			1922	Mar 18	12,501	Mar 21
	LTIP	41,685		11,463	30,222	1330	Mar 15		Mar 18
	LTIP	44,022				1288	Mar 16	44,022	Mar 19
	LTIP	36,894				1876	May 17	36,894	Mar 20
	LTIP		52,719			1922	May 18	52,719	Mar 21

1 The value on award of the 2018 BSP awards set out in this table were:
Peter Oswald Mondi plc: £442,636.60 Andrew King Mondi plc: £240,269.22
The LTIP performance measures for the awards made in 2018 as set out in this table are detailed on page 135 of this report. The face values of the 2018 LTIP awards (granted as conditional share awards) were:
Peter Oswald Mondi plc: £2,015,774.38 Andrew King Mondi plc: £1,013,259.18

2 In addition to the number of shares that vested as shown in the table above in respect of the BSP and in respect of the LTIP awards that vested in 2018, the executive directors also received the following cash amounts of equivalent value to dividends on vested shares over the vesting period, in accordance with the plan rules:
Peter Oswald €128,733.79 Andrew King €97,871.23 (£85,559.03)

All-employee share plans

The Group currently operates one HM Revenue & Customs approved all-employee share plan in the UK:

Share Incentive Plan (SIP) (audited)

Employees resident in the UK are eligible to participate in the SIP. Contributions of up to £150 are taken from participants' gross salary and used to purchase ordinary shares in Mondi plc each month. Participants receive one matching Mondi plc ordinary share free of charge for each share purchased. The shares are placed in trust and the matching shares are forfeited if participants resign from the Group's employment within three years. If the shares are left in trust for at least five years, they can be removed free of UK income tax and National Insurance contributions.

SIP

	Shares held at beginning of year or on appointment to the Boards	Partnership shares acquired during the year	Matching shares awarded during the year	Shares released during year	Total shares held as at 31 December 2018
Andrew King[1]	5,574	93	93	—	5,760

1 Since 1 January 2019 up to the date of this report Andrew King acquired 16 partnership shares and was awarded 16 matching shares

Mondi Limited and Mondi plc share prices

The closing price of a Mondi Limited ordinary share on the JSE Limited on 31 December 2018 was ZAR309.57 and the range during the period between 1 January 2018 and 31 December 2018 was ZAR288.14 (low) to ZAR421.21 (high).

The closing price of a Mondi plc ordinary share on the London Stock Exchange on 31 December 2018 was £16.34 and the range during the period between 1 January 2018 and 31 December 2018 was £15.84 (low) to £22.36 (high).

Statement of voting at Annual General Meetings

The Annual General Meetings of Mondi Limited and Mondi plc were both held on 16 May 2018. As required by the dual listed company structure, all resolutions were treated as joint electorate actions and were decided on a poll. All resolutions at both meetings were passed. The voting results of the joint electorate actions are identical and are given below. Overall in excess of 68% of the total Group shares were voted.

Resolution	Votes for	%	Votes against	%	Votes total	Votes withheld
Mondi Limited business						
13. To endorse the remuneration policy	328,740,064	98.29	5,714,924	1.71	334,454,988	3,015,489
14. To endorse the remuneration report (other than the policy)	315,849,371	94.88	17,027,679	5.12	332,877,050	4,594,427
15. To authorise a maximum increase of 2.5% in non-executive director fees[1]	336,730,379	99.95	182,015	0.05	336,912,394	558,084
16. To rationalise the non-executive director fee structure[1]	336,715,280	99.97	108,793	0.03	336,824,073	646,405
Mondi plc business						
27. To approve the remuneration report (other than the policy)	319,396,446	95.49	15,080,136	4.51	334,476,582	2,993,895

1 Special resolution

The remuneration policy was last approved as Mondi plc business at the AGM held on 11 May 2017, with a 95.57% vote for the resolution and 4.43% against, with 3,898,672 votes withheld.

Statement of implementation of directors' remuneration policy in 2019

Current salary levels, and increases awarded in January 2019, are as follows:

Name	Base salary effective 1 Jan 2019	Previous base salary	% change
Peter Oswald	€1,105,000	€1,076,000	2.7
Andrew King	£594,500	£579,000	2.7

The executive directors' base salaries were reviewed at the normal 1 January 2019 review date. Peter Oswald's (Group Chief Executive Officer) and Andrew King's (Group Chief Financial Officer) salaries were increased by 2.7%, which is in line with the average percentage increase for Mondi's wider workforce.

BSP and LTIP structure for 2019

Half of any bonus earned in respect of 2019 performance will be paid out in cash and the other half will be deferred for three years in conditional Mondi shares. The bonus structure for 2019 will remain as it was for 2018. A maximum of 70 points will be attributable to financial performance (35 on underlying EBITDA and 35 on ROCE), 20 points on personal objectives and 10 points on safety. The Boards consider the 2019 annual bonus performance targets to be commercially sensitive. Targets will be disclosed in next year's report.

LTIP awards that are made in 2019 will continue to have two performance conditions of equal weight – TSR and ROCE, measured over a three-year performance period commencing on 1 January 2019.

For the 50% of the awards attributable to TSR: If the Group's TSR is below the median when ranked against the comparator group on page 135, this part of the award will lapse in full. For TSR at the median, 25% of this part of the award (i.e. 12.5% of the total award) will vest, with a straight-line progression to the upper quartile, at which point 100% of this part of the award (i.e. 50% of the total award) will vest.

For the 50% of the awards attributable to ROCE: This part will lapse in full if ROCE is below 12%. 25% of this part of the award (i.e. 12.5% of the total award) will vest for achievement of ROCE of 12%, with a straight-line progression to full vesting of this part of the award for achievement of ROCE of 18% (i.e. 50% of the total award).

Non-executive directors' fees

Current non-executive directors' fees, and increases proposed for implementation with effect from the date of the Annual General Meetings of Mondi Limited and Mondi plc to be held on 9 May 2019 are shown in the table below. Increases of circa 2.7% are proposed.

Role	Annual fee	Proposed with effect from 9 May 2019	Percentage increase proposed
Joint chair fee[1]	£296,500	£304,500	2.7%
Non-executive base fee	£47,350	£48,630	2.7%
Additional fees:			
Supplement for DLC audit committee chair	£11,840	£12,160	2.7%
Supplement for DLC remuneration committee chair	£11,270	£11,570	2.7%
Combined supplement for DLC sustainable development committee & Mondi Limited social & ethics committee chair	£11,270	£11,570	2.7%
Supplement for senior independent director	£11,270	£11,570	2.7%
Supplement for senior independent director role if held by a non-executive who already chairs a committee	£6,150	£6,320	2.8%
Attendance fee per meeting (outside country of residence)	£5,920	£6,080	2.7%
Attendance fee per meeting (inside country of residence)	£1,770	£1,820	2.8%

1 No supplement is payable for additional commitments in relation to this role

This report was approved by the Boards on 27 February 2019 and is signed on their behalf.

Tanya Fratto
Chair of the DLC remuneration committee

Other statutory information

For the purposes of the UK Companies Act, the disclosures below, including those incorporated by reference, together with the Corporate governance report set out on pages 84 to 121, form the Directors' report.

In addition, disclosures relating to the following items, which also form part of the Directors' report, have been included in the Strategic report which can be found on pages 12 to 83:

- → Dividends
- → Financial risk management objectives and policies
- → Principal risks
- → Likely future developments in the business
- → Research and development activities
- → Greenhouse gas (GHG) emissions
- → Employees

Information required to be disclosed under UK Listing Rule 9.8.4 R

The UK Listing Authority listing rules require the disclosure of certain specified information in the annual financial report of Mondi plc.

The information required under rule 9.8.4 (1) in relation to interest capitalised and related tax relief can be found on page 174.
The information required under rules 9.8.4 (12) and (13) in relation to dividend waivers can be found on page 185. This information is incorporated by reference into this Directors' report.

Besides the above, the information required to be disclosed under rule 9.8.4 R is not applicable to Mondi plc and therefore no disclosures have been made in this regard.

Share capital

Full details of the Group's share capital can be found in note 21 to the financial statements.

Substantial interests

Mondi Limited

Based on the Mondi Limited share register as at 31 December 2018, the directors are aware of the following shareholders holding directly 5% or more of the issued share capital of Mondi Limited:

Shareholder	Shares	%
Public Investment Corporation Limited	16,008,777	13.53
GIC	6,652,379	5.62

Save as indicated above, the directors have not been advised of and have no certainty whether any of the shareholders could be beneficially interested in 5% or more of the issued share capital of Mondi Limited.

Mondi plc

As at 31 December 2018, the Group had received notifications from the following parties in the voting rights of Mondi plc. The number of voting rights and percentage interests shown are as disclosed at the date on which the holding was notified.

Shareholder	Number of voting rights	%
BlackRock, Inc	21,530,677	5.86
Coronation Asset Management Proprietary Limited	18,505,096	5.04
Public Investment Corporation Limited	18,390,224	5.01
Investec Asset Management Limited	18,352,708	4.99
AXA S.A.	17,210,471	4.69
Standard Life Investments Limited	16,476,021	4.49
Norges Bank	14,424,171	3.93
Old Mutual Plc	11,978,984	3.26
Sanlam Investment Management Proprietary Limited	10,936,128	3.00

There have been no changes in interests notified between 1 January 2019 and the date of this report.

Additional information for Mondi plc shareholders

The information for Mondi plc shareholders required pursuant to the UK Companies Act 2006 can be found on pages 232 to 234 of this report.

Political donations

No political donations were made during 2018 and it is Mondi's policy not to make such donations.

Auditors

Each of the directors of Mondi Limited and Mondi plc at the date when this report was approved confirms that:

- so far as each of the directors is aware, there is no relevant audit information of which the Group's auditors are unaware; and
- each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

PricewaterhouseCoopers Inc and PricewaterhouseCoopers LLP (together 'PwC') have indicated their willingness to continue as auditors of Mondi Limited and Mondi plc respectively. The Boards have decided that resolutions to reappoint them will be proposed at the Annual General Meetings of Mondi Limited and Mondi plc scheduled to be held on 9 May 2019.

The reappointment of PwC has the support of the DLC audit committee, which will be responsible for determining their audit fee on behalf of the directors (see page 112 for more information).

Note 4 to the financial statements sets out the auditors' fees both for audit and non-audit work.

Events occurring after 31 December 2018

With the exception of the proposed final ordinary dividend for 2018, included in note 9 to the financial statements, there have been no material reportable events since 31 December 2018.

Annual General Meetings

The Annual General Meeting of Mondi Limited will be held at 11:30 (SA time) on Thursday 9 May 2019 at The Venue, 17 The High Street, Melrose Arch, Melrose, Johannesburg 2019, Republic of South Africa and the Annual General Meeting of Mondi plc will be held at 10:30 (UK time) on Thursday 9 May 2019 at Haberdashers' Hall, 18 West Smithfield, London EC1A 9HQ, UK. The notices convening each meeting, which are sent separately to shareholders, detail the business to be considered and include explanatory notes for each resolution. The notices are available on the Mondi Group website at: www.mondigroup.com.

This Directors' report was approved by the Boards on 27 February 2019 and is signed on their behalf.

Philip Laubscher
Company Secretary

Mondi Limited
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Melrose Arch 2196
PostNet Suite #444
Private Bag X1
Melrose Arch 2076
Gauteng
Republic of South Africa

Registration No. 1967/013038/06

27 February 2019

Jenny Hampshire
Company Secretary

Mondi plc
Building 1, 1st Floor
Aviator Park
Station Road
Addlestone
Surrey
KT15 2PG

Registered No. 6209386

27 February 2019

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Setting industry standards

Our ambition is to be the industry benchmark for productivity, quality, innovation and customer service. This means maintaining a relentless focus on operational and commercial excellence, investing in our world-class manufacturing network, and being disciplined in the acquisitions we make.

€5.9bn

invested in asset base since listing in 2007

We see digitalisation as a key enabler. Harnessing technology will give us a strong competitive edge.

John Lindahl
Group Technical & Sustainability Director

Our modernisation project at Mondi Štětí is making it a global benchmark for kraft paper mills.

Strategic performance
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Financial statements

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Directors' responsibility statement

The directors are responsible for preparing the Integrated report, Remuneration report and Financial statements in accordance with applicable laws and regulations.

South African and UK company law require the directors to prepare financial statements for each financial year.

→ Under the Companies Act of South Africa 2008, the directors are required to prepare financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Act for each financial year, giving a true and fair view of the Mondi Limited parent company's and the Group's state of affairs at the end of the year and profit or loss for the year.

→ Under the UK Companies Act 2006, the directors are required to prepare the Group financial statements in accordance with IFRS as adopted by the European Union (EU) and Article 4 of the IAS Regulation, and have elected to prepare the Mondi plc parent company financial statements in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). Furthermore, under UK company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Group's financial statements and the Mondi Limited parent company financial statements, International Accounting Standard 1, 'Presentation of Financial Statements', requires that the directors:

→ properly select and apply accounting policies;

→ present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

→ provide additional disclosure when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and

→ make an assessment of the Group's and Company's ability to continue as a going concern.

In preparing the Mondi plc parent company financial statements, the directors are required to:

→ select suitable accounting policies and then apply them consistently;

→ make judgements and accounting estimates that are reasonable and prudent;

→ state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and

→ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and parent companies' transactions; disclose with reasonable accuracy, at any time, the financial position of the Group and parent companies; and enable them to ensure that the financial statements comply with the requirements of the Companies Act of South Africa 2008 and the UK Companies Act 2006 respectively. They are also responsible for safeguarding the assets of the Group and parent companies and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report on the financial statements

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

The Boards confirm that to the best of their knowledge:

→ the financial statements of the Group and Mondi Limited, prepared in accordance with IFRS and, in respect of the Group financial statements only, also IFRS as adopted by the EU, and Mondi plc, prepared in accordance with FRS 101, give a true and fair view of the assets, liabilities, financial position and profit or loss of Mondi Limited, Mondi plc and the undertakings included in the consolidation taken as a whole;

→ the Strategic report includes a fair review of the development and performance of the business and the position of Mondi Limited, Mondi plc and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and

→ the Integrated report and financial statements 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.

The Group's combined and consolidated financial statements, and related notes 1 to 33, 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

Independent auditors' report of PricewaterhouseCoopers LLP to the members of Mondi plc and of PricewaterhouseCoopers Inc. to the shareholders of Mondi Limited

Mondi plc and Mondi Limited operate under a dual listed company structure as a single economic entity. The "Group" consists of Mondi plc, Mondi Limited and their respective subsidiaries. The Group financial statements combine and consolidate the financial statements of the Group and include the Group's share of joint arrangements and associates.

PricewaterhouseCoopers LLP is the appointed auditor of Mondi plc, a company incorporated in the United Kingdom in terms of the United Kingdom Companies Act 2006. PricewaterhouseCoopers Inc. is the appointed auditor of Mondi Limited, a company incorporated in South Africa in terms of the Companies Act of South Africa. PricewaterhouseCoopers LLP and PricewaterhouseCoopers Inc. (each separately the "Group engagement team") audited the financial statements of the Group.

PricewaterhouseCoopers LLP audited the Group financial statements and Mondi plc parent company financial statements for the year ended 31 December 2018.

PricewaterhouseCoopers Inc. audited the Group financial statements for the year ended 31 December 2018.

For the purpose of this report, the terms "we" and "our" denote PricewaterhouseCoopers LLP in relation to UK legal, professional and regulatory responsibilities and reporting obligations to the members of Mondi plc and PricewaterhouseCoopers Inc. in relation to South African legal, professional and regulatory responsibilities and reporting obligations to the shareholders of Mondi Limited. For the purposes of the "Our audit approach" section of this report, "we" and "our" refer to the Group engagement team, except for the purposes of the table on pages 150 to 152 that sets out the key audit matters and how our audit addressed the key audit matters, where the terms "we" and "our" refer to PricewaterhouseCoopers LLP and/or PricewaterhouseCoopers Inc. and/or our component teams.

Report on the audit of the financial statements

Opinion

Opinion of PricewaterhouseCoopers LLP on the financial statements to the members of Mondi plc

In our opinion:

→ the financial statements, defined below, give a true and fair view of the state of the Group's and of Mondi plc parent company's affairs as at 31 December 2018 and of the Group's profit and cash flows for the year then ended;

→ the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;

→ the Mondi plc parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and

→ the financial statements have been prepared in accordance with the requirements of the UK Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Our opinion is consistent with our reporting to the Audit Committee.

Separate opinion of PricewaterhouseCoopers LLP in relation to the Group financial statements prepared in accordance with IFRSs as issued by the International Accounting Standards Board ("IASB")

As explained in note 1 to the Group financial statements, the Group, in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the IASB.

In our opinion, the Group financial statements have been properly prepared in accordance with IFRSs as issued by the IASB.

Opinion of PricewaterhouseCoopers Inc. on the Group financial statements to the shareholders of Mondi Limited

In our opinion, the Group financial statements present fairly, in all material respects, the combined and consolidated financial position of the Group as at 31 December 2018 and its combined and consolidated financial performance and its combined and consolidated cash flows for the year then ended in accordance with IFRSs as issued by the IASB and the provisions of the Companies Act of South Africa.

What we have audited

PricewaterhouseCoopers LLP and PricewaterhouseCoopers Inc. have audited the Group financial statements set out on pages 158 to 216 of the Mondi Group Integrated report and financial statements 2018 (the "Integrated Report"), which comprise:

→ the combined and consolidated statement of financial position as at 31 December 2018;

→ the combined and consolidated income statement for the year then ended;

→ the combined and consolidated statement of comprehensive income for the year then ended;

→ the combined and consolidated statement of changes in equity for the year then ended;

→ the combined and consolidated statement of cash flows for the year then ended; and

→ the notes to the combined and consolidated financial statements, which include a summary of the significant accounting policies.

PricewaterhouseCoopers LLP has audited the Mondi plc parent company financial statements set out on pages 221 to 228 of the Integrated Report, which comprise:

→ the Mondi plc parent company balance sheet as at 31 December 2018;

→ the Mondi plc parent company statement of changes in equity for the year then ended; and

→ the notes to the Mondi plc parent company financial statements, which include a summary of the significant accounting policies.

The Group financial statements and the Mondi plc parent company financial statements are referred to in this report as the "financial statements".

Basis for opinion

PricewaterhouseCoopers LLP conducted their audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. PricewaterhouseCoopers Inc. conducted their audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under ISAs and ISAs (UK) are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Independence

PricewaterhouseCoopers LLP remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or Mondi plc. Other than those disclosed in note 4 to the Group financial statements, we have provided no non-audit services to the Group or Mondi plc in the period from 1 January 2018 to 31 December 2018.

PricewaterhouseCoopers Inc. is independent of the Group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

Our audit approach

Overview

Overall Group materiality: €55 million (2017: €45 million), based on approximately 5% of profit before tax adjusted for special items. Overall Mondi plc parent company materiality: €29 million (2017: €30 million), based on 1% of total assets.

We identified three components (2017: one) as individually significant components which required an audit of their complete financial information due to their financial significance to the Group and a further seven components (2017: nine) where we have concluded that the component engagement leader is a Key Audit Partner (as defined under ISAs (UK)). These ten components are located in Austria, the Czech Republic, Germany, Poland, Russia, Sweden, Slovakia and South Africa (2017: Austria, the Czech Republic, Germany, Poland, Russia, Slovakia and South Africa).

We obtained full scope audit reporting from an additional 18 components (2017: 18), including operating units and treasury operations. Specified audit procedures or specified procedures on certain balances and transactions were performed at a further 19 components (2017: 26).

We assessed the risks of material misstatement in the Group financial statements and determined the following key audit matters for 2018:

→ Taxation;

→ Impairment of goodwill and property, plant and equipment;

→ Acquisition of Powerflute Group Holdings Oy (Powerflute); and

→ Adoption of IFRS 16 'Leases'.

Valuation of forestry assets and capital expenditure were considered key audit matters for 2017, but were not areas of most significance in the audit of the financial statements in 2018. No key audit matters specific to the Mondi plc parent company financial statements were identified.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Independent auditors' report of PricewaterhouseCoopers LLP to the members of Mondi plc and of PricewaterhouseCoopers Inc. to the shareholders of Mondi Limited

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and the industry in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to breaches of environmental regulations and unethical and prohibited business practices (see pages 45 and 46 of the Integrated Report), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the UK Companies Act 2006, the Companies Act of South Africa 2008, the UK Listing Rules and the Johannesburg Stock Exchange Limited Listings Requirements.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue and management bias in accounting estimates. We shared this risk assessment with the component auditors referred to in the scoping section of our report below, so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- → Discussions with management, internal audit and the Group's legal advisors, including consideration of potential instances of non-compliance with laws and regulation and fraud;
- → Assessment of matters reported through the Group's whistleblowing helpline and the results of management's investigation of such matters; and
- → Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to taxation, assessment of indicators of impairment of property, plant and equipment and the acquisition of Powerflute (see related key audit matters below).

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period. In terms of ISAs (UK), they include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Taxation	
The Group has operations in a number of geographical locations and as such is subject to multiple tax jurisdictions, giving rise to complexity in accounting for the Group's taxation. In particular, the interpretation of complex tax regulations and the unknown future outcome of any pending judgements by the tax authorities results in the need to provide against a number of uncertain tax positions. There are also cross-border transactions which give rise to transfer pricing related risks that require judgement to determine the appropriate tax charge and any associated provisions, and for these reasons we considered it to be a key audit matter. Refer to notes 7 and 32, and the Audit Committee's views set out on page 109.	Our audit work, which involved taxation audit specialists at Group and in specific locations where local tax knowledge was considered necessary, included the assessment of the Group's uncertain tax positions. As part of our audit challenge, we also involved transfer pricing experts to consider the appropriateness of the Group's assessment of its exposure to transfer pricing related risks and related corporate tax provisions. Our assessment included reading correspondence with tax authorities to understand the current status of tax assessments and investigations and to monitor developments in ongoing disputes. We also read recent rulings by local tax authorities, as well as external tax advice received by the Group where relevant, to satisfy ourselves that the tax provisions had been appropriately recorded or adjusted to reflect the latest tax legislative developments. In assessing the adequacy of the tax provisions, we considered factors such as possible penalties and interest which could be imposed by the local tax authorities. We also determined whether the tax provisions are recognised in accordance with the relevant accounting standards. We considered the appropriateness of the related disclosures in note 7 and note 32 to the financial statements. Based on the procedures performed, we noted no material issues from our work.

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and property, plant and equipment	
The Group has goodwill of €942 million (2017: €698 million) and property, plant and equipment of €4,340 million (2017 restated: €4,128 million) as at 31 December 2018. Impairment charges to property, plant and equipment of €74 million (2017: €50 million) have been recognised in the current year. For property, plant and equipment, management is required to determine the recoverable amount of an asset, or the cash-generating unit (CGU) to which the asset relates, when an impairment trigger is identified. The identification as to whether an impairment or impairment reversal trigger exists involves management judgement. For those items of property, plant and equipment where an indicator of impairment was identified, and for the groups of CGUs to which goodwill relates (which require an annual impairment test), the determination of the recoverable amount, being the higher of value in use (VIU) and fair value less costs of disposal (FVLCD), requires judgement and estimation by management. This is because the determination of a recoverable amount includes management's consideration of key internal inputs and external market conditions such as future paper prices, customer demand and forecast growth rates, which all impact future discounted cash flows and the determination of the most appropriate discount rate. Therefore, we considered it to be a key audit matter. Refer to notes 1, 10, 12 and 32, and the Audit Committee's views set out on page 108.	We satisfied ourselves as to the appropriateness of the judgement related to the level at which impairment is assessed for property, plant and equipment, being the lowest level at which largely independent cash inflows can be identified (the CGUs). We also assessed the level at which goodwill is monitored for impairment. For property, plant and equipment, we evaluated management's assessment of impairment indicators, as well as indicators of impairment reversal, including the conclusions reached. Our evaluation included assessing management's process to identify impairment triggers, together with an assessment of business performance in the year, including specific consideration of the impact of the business restructurings and plant closures announced during 2018. Where impairment tests were performed, including on goodwill, we challenged the basis for management's estimates of growth rates and future cash flows with reference to historical trading performance, market expectations and management forecasts. We used our internal valuation experts to independently recalculate the discount rates applied and checked the mathematical accuracy of management's valuation models. For the groups of CGUs that have goodwill attached to them, we also compared the Group's market capitalisation with the aggregate enterprise value reflected in management's impairment models. We recalculated management's assessment of the sensitivity of the Group's goodwill impairment models to reasonably possible changes in the key assumptions and considered the appropriateness of disclosures provided by the Group in relation to its impairment reviews. We focused our procedures on property, plant and equipment at those sites where there was a decline in performance year-on-year and on the Consumer Packaging goodwill balance. We also tested the impairments of property, plant and equipment recorded in special items in the year ended 31 December 2018. Based on the procedures performed, we noted no material issues from our work.

Independent auditors' report of PricewaterhouseCoopers LLP to the members of Mondi plc and of PricewaterhouseCoopers Inc. to the shareholders of Mondi Limited

Key audit matter	How our audit addressed the key audit matter
Acquisition of Powerflute Group Holdings Oy (Powerflute)	
The Group acquired 100% of the outstanding share capital of Powerflute on 1 June 2018 for a total consideration of €365 million. The acquisition resulted in goodwill of €242 million. The fair value accounting for the acquisition was determined by management, with support from an external expert, on a provisional basis in accordance with IFRS 3, Business Combinations. The determination of the fair value of assets and liabilities is a complex subject matter and management has applied estimates and judgements in determining the net assets acquired and, therefore, we considered it to be a key audit matter. Key estimates and judgements involve the identification of the assets acquired and liabilities assumed, determination of any separately identifiable intangible assets and the valuation of assets and liabilities that are recognised. Refer to notes 12, 24 and 32, and the Audit Committee's views set out on page 109.	We evaluated the underlying acquisition agreements for the appropriate accounting treatment in terms of IFRS 3 and the Group's accounting policy. We held discussions with management to obtain an understanding of management's process for identifying all separately identifiable assets acquired and liabilities assumed and inspected management's documented process. In assessing the completeness and appropriateness of the identification of assets acquired and liabilities assumed we read the Group's Board and Executive Committee minutes to understand the rationale for the acquisition, critically evaluated the underlying acquisition agreements, utilised the experience of our internal valuation experts and conducted a site visit to the acquired operations in Kuopio, Finland, with specific focus on the inspection of the integrated pulp and paper mill. We also assessed the independence, professional competence, objectivity and capabilities of management's external valuations expert involved in determining the fair value of the net assets acquired. In assessing the work performed by management's external valuation expert we utilised our internal valuation expertise to: → Assess the adequacy and appropriateness of the valuation methodologies used to value the recognised assets and liabilities; → Assess the appropriateness of the assumptions used in determining the fair value of assets acquired and liabilities assumed with specific focus on the replacement cost values and remaining useful lives assumed in the valuation of property, plant and equipment; and → Recompute the resulting goodwill recognised on acquisition. We considered the appropriateness of the related disclosure in notes 12, 24 and 32 to the financial statements. Based on the procedures performed, we noted no material issues from our work.
Adoption of IFRS 16 'Leases'	
The Group elected to early adopt IFRS 16 'Leases' fully retrospectively. This new accounting standard requires a lessee 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. Management has applied judgement in assessing whether new arrangements contain a lease, determining the lease terms, calculating the discount rate and concluding whether any service or lease components of lease arrangements need to be separated. Therefore, we considered it to be a key audit matter. As at 31 December 2018 the Group has recorded a right-of-use asset of €148 million (2017: €169 million) and lease liabilities of €184 million (2017: €208 million). The depreciation charge recognised on the right-of-use assets was €27 million (2017: €27 million) and the interest on lease liabilities €14 million (2017: €14 million). Refer to notes 6, 11, 32 and 33, and the Audit Committee's views set out on page 109.	We obtained the Group's calculation of the right-of-use asset, lease liability, depreciation charge and interest on the lease liability based on the lease data for the population of leases identified. We performed procedures to assess the completeness of management's listing of the lease contracts in place, including reading new contracts and management meeting minutes and assessing expense accounts. We tested the accuracy of the lease data compiled by management by agreeing key inputs to the underlying arrangements to ensure the accuracy of key data points used in determining the IFRS 16 accounting entries. Where appropriate, we evaluated the relevant IT systems and tested the operating effectiveness of the internal controls over the recording of the IFRS 16 accounting entries. Our testing included an evaluation of the mathematical accuracy of the underlying calculations. We also involved our internal valuation experts to consider the appropriateness of the Group's assessment of the discount rates used in the lease calculations. We assessed the rationale and approach in determining the discount rates applied for a sample of the leases. Based on the procedures performed, we noted no material issues from our work.

PricewaterhouseCoopers LLP have determined that there are no additional key audit matters to communicate in our report with regard to the audit of the Mondi plc parent company financial statements for the current period.

How we tailored the audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the Group financial statements as a whole, taking into account the structure of the Group and the parent companies, the accounting processes and controls, and the industry in which they operate.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at components by us, as the Group engagement team, or component auditors operating under our instruction.

We identified three components (2017: one) as significant components (as defined within ISAs (UK) and ISAs) which, in our view, required an audit of their complete financial information, due to their financial significance to the Group. Outside of these components, we obtained full scope audit reporting from a further seven components (2017: nine), where we concluded that the component engagement leader is a Key Audit Partner (as defined under ISAs (UK)), and an additional 18 components where full scope audits were performed (2017: 18). Together, these components were in 11 countries (2017: nine), representing the Group's principal businesses, and accounted for 67% (2017: 66%) of the Group's revenue.

Specified audit procedures or specified procedures on certain balances and transactions were performed at a further 19 (2017: 26) components and central testing was performed on selected items, such as goodwill, primarily to ensure appropriate audit coverage. In aggregate, the locations subject to audit procedures represented 81% (2017: 84%) of the Group's revenue.

The components included within our scope of audit were determined based on the individual component's contribution to the group key financial statement line items (in particular revenue and profit or loss before tax), and considerations relating to aggregation risk within the Group.

Where work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

We issued formal written instructions to all component auditors setting out the audit work to be performed by each of them and maintained regular communication with them throughout the audit cycle. These interactions included attending certain component clearance meetings, as well as reviewing and assessing any matters reported. The Group engagement team also reviewed selected audit working papers for certain in-scope component teams.

In addition, senior members of the Group engagement team from the UK and/or South Africa visited component teams in Austria, the Czech Republic, Finland, Germany, Poland, Russia, Slovakia, South Africa and Sweden. These visits included meetings with local management and with the component auditors, and typically involved operating site tours.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures, and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Mondi plc parent company financial statements
Overall materiality	€55 million (2017: €45 million).	€29 million (2017: €30 million).
How we determined it	Based on approximately 5% of profit before tax adjusted for special items as described in note 3 to the financial statements.	1% of total assets.
Rationale for benchmark applied	For overall Group materiality, we chose an adjusted profit before tax measure as the benchmark. The adjusted profit before tax measure removes the impact of significant items which do not recur from year to year or otherwise significantly affect the underlying trend of performance from continuing operations. This is the metric against which the performance of the Group is most commonly assessed by management and reported to members. We chose 5%, which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.	For overall Mondi plc parent company materiality, PricewaterhouseCoopers LLP determined the materiality based on total assets, which is more appropriate than a performance-related measure as the company is an investment holding company for the Group. Using professional judgement, PricewaterhouseCoopers LLP determined materiality for this year at €29 million (2017: €30 million), which equates to approximately 1% of the current year's total assets.

Independent auditors' report of PricewaterhouseCoopers LLP to the members of Mondi plc and of PricewaterhouseCoopers Inc. to the shareholders of Mondi Limited

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between €2 million (2017: €1.5 million) and €40 million (2017: €37 million).

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €2 million (2017: €2 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) PricewaterhouseCoopers LLP report as follows:

Reporting obligation	Outcome
ISAs (UK) require us to report to you when: → the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or → the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Mondi plc's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Mondi plc's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Other information

Reporting on other information by PricewaterhouseCoopers LLP

The other information comprises all of the information in the Integrated Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the UK Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and the Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Mondi plc parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and the Directors' Report. (CA06)

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- → The directors' confirmation on page 39 of the Integrated Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- → The disclosures in the Integrated Report that describe those risks and explain how they are being managed or mitigated.
- → The directors' explanation on page 47 of the Integrated Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the Group and Mondi plc parent company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- → The statement given by the directors, on page 147, that they consider the Integrated Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Mondi plc parent company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Mondi plc parent company obtained in the course of performing our audit.
- → The section of the Integrated Report on pages 108 and 109 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- → The directors' statement relating to Mondi plc's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the UK Companies Act 2006. (CA06)

Reporting on other information by PricewaterhouseCoopers Inc.

The directors are responsible for the other information. The other information comprises the contents of the Mondi Group Integrated Report listed on page 3 outside of the Group financial statements being the Overview, the Strategic report, the Governance section, the Directors' responsibility statement, the Mondi plc parent company financial statements, the extracted financial information of Mondi Limited parent company audited financial statements, the Group financial record, Production statistics, Exchange rates, Additional information for Mondi plc shareholders, Shareholder information, and the Glossary of terms and the contents of the Mondi Limited audited annual financial statements. Other information does not include the Group financial statements and our auditor's report thereon.

Our opinion on the Group financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditors' report of PricewaterhouseCoopers LLP to the members of Mondi plc and of PricewaterhouseCoopers Inc. to the shareholders of Mondi Limited

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibility statement set out on page 147, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework, and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and Mondi plc's ability to continue as a going concern, disclosing as applicable matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or Mondi plc or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

A further description of PricewaterhouseCoopers LLP's responsibilities for the audit of the financial statements in accordance with ISAs (UK) is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

As part of an audit in accordance with ISAs, PricewaterhouseCoopers Inc. exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

→ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

→ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

→ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Group financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.

→ Evaluate the overall presentation, structure and content of the Group financial statements, including the disclosures, and whether the Group financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

→ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the Group financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Use of the independent auditors' report of PricewaterhouseCoopers LLP

The independent auditors' report of PricewaterhouseCoopers LLP, including the opinions issued by PricewaterhouseCoopers LLP, has been prepared for and only for the members of Mondi plc as a body in accordance with Chapter 3 of Part 16 of the UK Companies Act 2006 and for no other purpose. PricewaterhouseCoopers LLP does not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by PricewaterhouseCoopers LLP's prior consent in writing.

Report on other legal and regulatory requirements

Other required reporting by PricewaterhouseCoopers LLP

UK Companies Act 2006 exception reporting

Under the UK Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Mondi plc parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Mondi plc parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 11 May 2017 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement for PricewaterhouseCoopers LLP auditing Mondi plc is two years, covering the years ended 31 December 2017 to 31 December 2018.

Other required reporting by PricewaterhouseCoopers Inc.

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Mondi Limited for two years.

Andrew Kemp (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

27 February 2019

PricewaterhouseCoopers Inc.
Director: JFM Kotzé
Registered Auditor
Johannesburg, South Africa

27 February 2019

Combined and consolidated income statement
for the year ended 31 December 2018

€ million	Notes	2018 Underlying	2018 Special items (note 3)	2018 Total	Restated[1] 2017 Underlying	Restated[1] 2017 Special items (note 3)	Restated[1] 2017 Total
Group revenue	2	**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	5	(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	2	**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	7a	(273)	34	(239)	(181)	8	(173)
Profit for the year		**958**	**(92)**	**866**	**764**	**(53)**	**711**
Attributable to:							
Non-controlling interests	30	**42**		**42**	**43**		**43**
Shareholders		**916**		**824**	**721**		**668**

Earnings per share (EPS) attributable to shareholders (euro cents)	Notes	2018	2017
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 32 and 33 of these combined and consolidated financial statements

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 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 combined and consolidated income statement						
Remeasurements of retirement benefits plans:	(12)	(1)	(13)	9	(1)	8
Return on plan assets	(6)			8		
Actuarial losses arising from changes in demographic assumptions	(24)			—		
Actuarial gains arising from changes in financial assumptions	16			4		
Actuarial gains/(losses) arising from experience adjustments	2			(3)		
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**

Overview

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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	10	4,340	4,128	3,961
Goodwill	12	942	698	681
Intangible assets	13	91	111	120
Forestry assets	14	340	325	316
Investment in equity accounted investees		9	3	9
Financial instruments		21	23	25
Deferred tax assets	7b	49	26	27
Net retirement benefits asset	23	6	7	1
Total non-current assets		**5,798**	**5,321**	**5,140**
Inventories	15	968	867	850
Trade and other receivables	16	1,190	1,106	1,049
Current tax assets		22	29	32
Financial instruments		9	14	8
Cash and cash equivalents	25b	52	38	404
Assets held for sale		3	1	1
Total current assets		**2,244**	**2,055**	**2,344**
Total assets		**8,042**	**7,376**	**7,484**
Short-term borrowings	20	(268)	(291)	(673)
Trade and other payables	17	(1,186)	(1,074)	(1,100)
Current tax liabilities		(140)	(126)	(95)
Provisions	18	(61)	(50)	(49)
Financial instruments		(13)	(8)	(23)
Total current liabilities		**(1,668)**	**(1,549)**	**(1,940)**
Medium and long-term borrowings	20	(2,002)	(1,280)	(1,309)
Net retirement benefits liability	23	(234)	(232)	(240)
Deferred tax liabilities	7b	(253)	(248)	(260)
Provisions	18	(46)	(41)	(44)
Other non-current liabilities		(14)	(19)	(26)
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	21	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 combined and consolidated financial statements, and related notes 1 to 33, 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

Combined and consolidated statement of changes in equity
for the year ended 31 December 2018

€ million	Combined share capital and stated capital	Treasury shares	Retained earnings	Other reserves	Equity attributable to shareholders	Non-controlling interests	Total equity
At 1 January 2017, as previously reported	542	(24)	3,217	(343)	**3,392**	304	**3,696**
Impact of change in accounting policy (see note 33)	—	—	(30)	—	**(30)**	(1)	**(31)**
Restated balance at 1 January 2017	542	(24)	3,187	(343)	**3,362**	303	**3,665**
Total comprehensive income/(expense) for the year (restated)	—	—	668	(63)	**605**	41	**646**
Dividends	—	—	(273)	—	**(273)**	(22)	**(295)**
Purchases of treasury shares	—	(24)	—	—	**(24)**	—	**(24)**
Distribution of treasury shares	—	21	(21)	—	**—**	—	**—**
Mondi share schemes' charge	—	—	—	15	**15**	—	**15**
Issue of shares under employee share schemes	—	—	14	(14)	**—**	—	**—**
Put option held by non-controlling interests	—	—	(5)	5	**—**	—	**—**
Other movements in non-controlling interests	—	—	(2)	—	**(2)**	2	**—**
Restated balance at 31 December 2017	**542**	**(27)**	**3,568**	**(400)**	**3,683**	**324**	**4,007**
Impact of change in accounting policy[1]	—	—	3	(3)	**—**	—	**—**
Restated balance at 1 January 2018	**542**	**(27)**	**3,571**	**(403)**	**3,683**	**324**	**4,007**
Total comprehensive income/(expense) for the year	—	—	824	(219)	**605**	30	**635**
Dividends	—	—	(793)	—	**(793)**	(18)	**(811)**
Purchases of treasury shares	—	(15)	—	—	**(15)**	—	**(15)**
Distribution of treasury shares	—	16	(16)	—	**—**	—	**—**
Mondi share schemes' charge (see note 22)	—	—	—	11	**11**	—	**11**
Issue of shares under employee share schemes	—	—	11	(13)	**(2)**	—	**(2)**
Put option held by non-controlling interests	—	—	(4)	4	**—**	—	**—**
Other movements in non-controlling interests	—	—	(4)	—	**(4)**	4	**—**
At 31 December 2018	**542**	**(26)**	**3,589**	**(620)**	**3,485**	**340**	**3,825**

Note:
1 IFRS 9, 'Financial Instruments', was adopted without restating comparative information. The reclassification arising from the change of classification categories from 'available-for-sale' to 'at fair value through profit or loss' is recognised in the opening balance sheet on 1 January 2018

Other reserves

€ million	2018	Restated 2017
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 other reserves	**(620)**	**(400)**

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	25a	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	13	(10)	(16)
Investment in forestry assets		(53)	(49)
Investment in equity accounted investees		(7)	—
Proceeds from the disposal of property, plant and equipment		13	14
Proceeds from the disposal of financial asset investments		—	1
Acquisition of businesses, net of cash and cash equivalents	24	(402)	(37)
Proceeds from the disposal of businesses, net of cash and cash equivalents		3	—
Loan repayments from external parties		—	1
Interest received		8	3
Net cash used in investing activities		**(1,157)**	**(694)**
Cash flows from financing activities			
Proceeds from medium and long-term borrowings	25c	165	25
Repayment of medium and long-term borrowings	25c	—	(11)
Proceeds from Eurobonds	25c	600	—
Repayment of Eurobonds	25c	—	(500)
Net proceeds from short-term borrowings	25c	9	23
Repayment of lease liabilities	11	(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	25c	67	(439)
Effects of changes in foreign exchange rates	25c	7	(4)
Cash and cash equivalents at end of year	25b	**8**	**(66)**

Notes to the combined and consolidated financial statements
for the year ended 31 December 2018

1 Basis of preparation

Dual listed structure

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

The Group's combined and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB); the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee; Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa 2008. The principal accounting policies adopted are set out in note 32.

There are no differences for the Group in applying IFRS as issued by the IASB and IFRS as adopted by the European Union (EU) and, therefore, the Group also complies with Article 4 of the EU IAS Regulation.

The combined and consolidated financial statements have been prepared on a going concern basis as discussed in the Strategic report within 'Principal risks' under the heading 'Going concern' on page 47.

Critical accounting judgements and key estimates

The preparation of the Group's combined and consolidated financial statements includes the use of estimates and assumptions. Although the estimates used are based on management's best information about current circumstances and future events and actions, actual results may differ from those estimates.

The most significant estimates and judgements are:

Key estimates

- Discount rates for initial measurement of lease liabilities – refer to note 11
- Fair value of forestry assets – refer to note 14
- Actuarial valuations of retirement benefit obligations – refer to note 23
- Fair value of assets acquired and liabilities assumed in business combinations – refer to note 24

Critical accounting judgements and other accounting estimates

- Impairment of goodwill – refer to notes 12 and 32
- Impairment of property, plant and equipment, and intangible assets – refer to notes 10, 13 and 32
- Residual values and useful economic lives of property, plant and equipment – refer to notes 10 and 32
- Taxation – refer to notes 7 and 32

2 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.

The Group generates revenue from the sale of manufactured products across the packaging and paper value chain. Revenue is generally recognised at a point in time, typically when the goods have been delivered to a contractually agreed location. Customer payment terms do not contain significant financing components.

The Group provides transport services after control of certain goods has passed to the customer. The Group generated transport revenue of €57 million (2017: €57 million) in the current financial year.

2 Operating segments

The material product types from which the Group's externally reportable segments derive their internal and external revenues are as follows:

Operating segments	Product types
Fibre Packaging	Containerboard
	Kraft paper
	Pulp
	Corrugated packaging
	Industrial bags
	Extrusion coatings
Consumer Packaging	Consumer goods packaging
	Personal care components
	Technical films
	Release liner
Uncoated Fine Paper	Uncoated fine paper
	Newsprint
	Pulp

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

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**

2 Operating segments

External revenue by location of production and by location of customer

€ million	External revenue by location of production		External revenue by location of customer	
	2018	2017	2018	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**

There were no external customers which account for more than 10% of the Group's total external revenue in either year.

There are no material contract assets and contract liabilities as at 31 December 2018 (2017: €nil). No contract costs were capitalised in either year presented.

The Group does not disclose information about remaining performance obligations that have original expected durations of one year or less, as permitted under IFRS 15.

Net assets by location

€ million	2018 Non-current non-financial assets	2018 Segment assets	2018 Segment net assets	Restated 2017 Non-current non-financial assets	Restated 2017 Segment assets	Restated 2017 Segment net assets
Africa						
South Africa	724	869	755	725	883	774
Rest of Africa	56	103	100	19	44	42
Africa total	780	972	855	744	927	816
Western Europe						
Austria	508	883	601	539	888	668
United Kingdom	44	65	53	62	95	79
Rest of western Europe	1,243	1,687	1,500	868	1,271	1,085
Western Europe total	1,795	2,635	2,154	1,469	2,254	1,832
Emerging Europe						
Poland	793	1,022	916	861	1,066	955
Slovakia	440	500	415	407	451	374
Rest of emerging Europe	986	1,293	1,103	876	1,150	984
Emerging Europe total	2,219	2,815	2,434	2,144	2,667	2,313
Russia	653	793	693	641	788	702
North America	166	346	303	175	340	297
Asia and Australia	100	173	161	89	146	135
Group total	**5,713**	**7,734**	**6,600**	**5,262**	**7,122**	**6,095**

Average number of employees[1]

thousands	2018	2017
By principal locations of employment		
South Africa	1.5	1.8
Rest of Africa	0.3	0.1
Western Europe	7.3	7.3
Emerging Europe	8.9	8.7
Russia	5.5	5.6
North America	1.9	2.2
Asia and Australia	0.7	0.6
Group total	**26.1**	**26.3**

Note:
1 Presented on a full time employee equivalent basis

3 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)**

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.

4 Auditors' remuneration

€ million	2018	2017
Fees payable to the auditors for the audit of Mondi Limited's and Mondi plc's annual financial statements	0.6	0.4
UK	0.4	0.3
South Africa	0.2	0.1
Fees payable to the auditors and their associates for the audit of Mondi Limited's and Mondi plc's subsidiaries	3.5	3.6
Total audit fees[1]	**4.1**	**4.0**
Audit-related assurance services	0.4	0.3
Total fees	**4.5**	**4.3**

Note:

1 Total audit fees related to the 2017 financial year estimated at €3.6 million in the prior year have been updated to the final audit fees incurred of €4.0 million. There is no change in non-audit fees

5 Personnel costs

€ million, unless otherwise stated	2018	2017
Within operating costs		
Wages and salaries	835	848
Social security costs	172	170
Defined contribution retirement plan contributions (see note 23)	13	14
Defined benefit retirement plan service costs and loss from settlement (see note 23)	8	6
Share-based payments (see note 22)	11	15
Total within operating costs	**1,039**	**1,053**
Within special items		
Personnel costs relating to restructuring (see note 3)	15	9
Within net finance costs		
Retirement benefit medical plan net interest costs	5	5
Retirement benefit pension plan net interest costs	3	4
Total within net finance costs (see note 6)	**8**	**9**
Group total	**1,062**	**1,071**
Average number of employees (thousands)[1]	**26.1**	**26.3**

Note:
1 Presented on a full time employee equivalent basis

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 (see note 11)	(14)	(14)
Net interest expense on net retirement benefits liability (see note 23)	(8)	(9)
Total interest expense	**(99)**	**(88)**
Less: Interest capitalised (see note 10)	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

(a) Analysis of tax charge for the year

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.

€ 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 3)	**(34)**	**(8)**
Tax charge for the year	**239**	**173**

Factors affecting tax charge for the year

The Group's total tax charge for the year can be reconciled to the tax on the Group's profit before tax at the weighted average UK and SA corporation tax rate of 19.67%[1] (2017: 20.10%), as follows:

€ million	2018	Restated 2017
Profit before tax	**1,105**	**884**
Tax on profit before tax calculated at the weighted average UK and SA corporation tax rate of 19.67% (2017: 20.10%)	**217**	**178**
Tax effects of:		
Expenses not deductible for tax purposes	**10**	**9**
Special items not tax deductible	—	2
Other non-deductible expenses	10	7
Non-taxable income	**(1)**	**(1)**
Temporary difference adjustments	**(6)**	**(6)**
Current year tax losses and other temporary differences not recognised	12	13
Prior year tax losses and other temporary differences not previously recognised	(18)	(20)
Attributable to a change in the rate of domestic income tax	—	1
Other adjustments	**19**	**(7)**
Current tax prior year adjustments	—	5
Tax incentives[2]	(11)	(29)
Effect of differences between local rates and UK and SA rates	15	13
Other adjustments	15	4
Tax charge for the year	**239**	**173**

Notes:

1 The weighted average tax rate has been determined by weighting the profit before tax after special items of Mondi Limited and its subsidiaries and Mondi plc and its subsidiaries

2 The tax incentives principally relate to capital investments in Russia and Slovakia (2017: Poland and Russia)

(b) Deferred tax

€ million	Deferred tax assets 2018	Deferred tax assets Restated 2017	Deferred tax liabilities 2018	Deferred tax liabilities Restated 2017
At 1 January	26	27	(248)	(260)
Credited/(charged) to combined and consolidated income statement	19	(1)	6	13
Credited/(charged) to combined and consolidated statement of comprehensive income	1	(1)	(2)	—
Acquired through business combinations (see note 24)	—	—	(24)	(3)
Reclassification	3	2	(3)	(4)
Currency movements	—	(1)	18	6
At 31 December	**49**	**26**	**(253)**	**(248)**

The amount of deferred tax credited/(charged) to the combined and consolidated income statement comprises:

€ million	2018	Restated 2017
Capital allowances in excess of depreciation	8	2
Fair value adjustments	(10)	—
Tax losses recognised/(derecognised)	10	(7)
Other temporary differences	17	17
Total credit	**25**	**12**

Deferred tax comprises:

€ million	Deferred tax assets 2018	Deferred tax assets Restated 2017	Deferred tax liabilities 2018	Deferred tax liabilities Restated 2017
Capital allowances in excess of depreciation	(20)	(15)	(241)	(244)
Fair value adjustments	—	—	(89)	(89)
Tax losses[1]	21	8	14	18
Other temporary differences[1]	48	33	63	67
Total	**49**	**26**	**(253)**	**(248)**

Note:

1 Based on forecast data, the Group considers it probable that there will be sufficient future taxable profits available in the relevant jurisdictions to utilise these tax losses and other temporary differences

The current expectation regarding the maturity of deferred tax balances is:

€ million	Deferred tax assets 2018	Deferred tax assets Restated 2017	Deferred tax liabilities 2018	Deferred tax liabilities Restated 2017
Recoverable/(payable) within 12 months	23	18	(1)	(1)
Recoverable/(payable) after 12 months	26	8	(252)	(247)
Total	**49**	**26**	**(253)**	**(248)**

7 Taxation

The Group has the following amounts in respect of which no deferred tax asset has been recognised due to the low probability of future profit streams or gains against which these could be utilised:

€ million	2018	2017
Tax losses – revenue	1,406	1,389
Tax losses – capital	16	16
Other temporary differences	11	63
Total	**1,433**	**1,468**

There were no significant changes in the expected future profit streams or gains.

Included in unrecognised tax losses are losses that will expire as follows:

€ million	2018	2017
Expiry date		
Within one year	2	8
One to five years	25	30
After five years	53	89
No expiry date	1,342	1,278
Total	**1,422**	**1,405**

No deferred tax liability is recognised on gross temporary differences of €760 million (2017: €856 million) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. UK tax legislation largely exempts, from UK tax, overseas dividends received on or after 1 July 2009. As a result, the gross temporary differences at 31 December 2018 represent only the unremitted earnings of those overseas subsidiaries where remittance to the UK of those earnings would still result in a tax liability, principally as a result of dividend withholding taxes levied by the overseas tax jurisdictions in which these subsidiaries operate and non-UK corporate taxes on dividends.

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 3)	126	61
Related tax (see note 3)	(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 (see note 10)	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

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

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.

10 Property, plant and equipment

€ million	Land and buildings[1]	Plant and equipment	Assets under construction	Other	Total
Net carrying value					
At 1 January 2017, as previously reported	1,032	2,427	245	84	**3,788**
Impact of change in accounting policy (see note 33)	142	18	—	13	**173**
Restated balance at 1 January 2017	1,174	2,445	245	97	**3,961**
Acquired through business combinations	1	3	3	2	**9**
Additions (restated)	69	163	402	42	**676**
Disposal of assets	(2)	(9)	(2)	(1)	**(14)**
Depreciation charge for the year (restated)	(67)	(309)	—	(40)	**(416)**
Impairment losses recognised[2]	(13)	(35)	(1)	(1)	**(50)**
Impairment losses reversed[3]	1	13	—	—	**14**
Transfer from assets under construction	59	200	(279)	17	**(3)**
Reclassification	(2)	(25)	10	2	**(15)**
Currency movements (restated)	(13)	(17)	(1)	(3)	**(34)**
Restated balance at 31 December 2017	**1,207**	**2,429**	**377**	**115**	**4,128**
Cost (restated)	2,031	6,739	385	378	**9,533**
Accumulated depreciation and impairments (restated)	(824)	(4,310)	(8)	(263)	**(5,405)**
Acquired through business combinations (see note 24)	32	97	5	2	**136**
Additions	42	167	512	41	**762**
Disposal of assets	(6)	(6)	(3)	(4)	**(19)**
Disposal of businesses	(3)	(3)	(2)	—	**(8)**
Depreciation charge for the year	(69)	(304)	—	(37)	**(410)**
Impairment losses recognised[2]	(20)	(51)	—	(3)	**(74)**
Impairment losses reversed[3]	1	1	—	—	**2**
Transfer from assets under construction	43	142	(198)	9	**(4)**
Reclassification	(3)	(2)	—	2	**(3)**
Currency movements	(44)	(96)	(24)	(6)	**(170)**
At 31 December 2018	**1,180**	**2,374**	**667**	**119**	**4,340**
Cost	2,033	6,765	674	394	**9,866**
Accumulated depreciation and impairments	(853)	(4,391)	(7)	(275)	**(5,526)**

Notes:

1 The land carrying value included in 'Land and buildings' is €171 million (2017: €159 million)

2 Impairment losses include €72 million (2017: €46 million) classified as special items and €2 million (2017: €4 million) of other impairments

3 Impairment losses reversed are classified as special items

Included in the cost above is €7 million (2017: €1 million) of interest incurred on qualifying assets which has been capitalised during the year. These amounts are deductible for tax purposes either when incurred or included in the amount permitted to be deducted for capital expenditure, depending on the jurisdiction in which they are capitalised.

The recoverable amount of property, plant and equipment is determined based on the use of the asset within the current business plans. Any change in future intentions could result in an impairment of varying magnitude, depending on the assets affected.

11 Leases

From 1 January 2018 the Group early adopted IFRS 16, 'Leases'. Refer to notes 32 and 33 for the accounting policy and restatements, respectively. The right-of-use assets recognised on adoption of the new leasing Standard are reflected in the underlying asset classes of Property, plant and equipment, and related lease liabilities are reflected as Borrowings.

Mondi has entered into various lease agreements. Leases over land and buildings have a weighted average term of 39 years, plant and equipment a weighted average term of 12 years and other assets a weighted average term of four years.

The principal lease agreements in place include the following:

South African land lease

The Group entered into a land lease agreement on 1 January 2001 for a total term of 70 years. The lease commitment and annual escalation rate is renegotiated every five years. The lease does not contain any clauses with regard to contingent rent or an option to purchase the land at the end of the lease term, and does not impose any significant restrictions on the Group as a lessee. There are 52 years remaining on the lease.

Russian forestry leases

The forestry lease agreements were entered into by the Group on 1 November 2007 for a total term of 47 years, on 30 June 2008 for a total term of 49 years and on 10 March 2015 for a total term of 49 years. The leases are not renewable. Rental escalates on an annual basis by the consumer price index of the local jurisdiction. The leases do not contain any clauses with regard to contingent rent or options to purchase the forestry assets at the end of the lease term, and do not impose any significant restrictions on the Group as a lessee. The Group applied the practical expedient per IFRS 16 not to separate non-lease components from lease components.

Office building

The Group entered into an office building lease agreement for a total term of 20 years from October 2013. The lease may only be terminated by the Group, after six months' notice, in September 2023 and again in September 2028. Rent escalates on an annual basis by the consumer price index of the local jurisdiction. The lease does not contain any option to purchase the building at the end of the lease term and does not impose any significant restrictions on the Group as a lessee. Variable lease payments are included in the lease liability and calculated at the consumer price index.

Right-of-use assets

	Right-of-use assets		Depreciation charge	
€ million	**2018**	**Restated 2017**	**2018**	**Restated 2017**
Land and buildings	120	138	(14)	(14)
Plant and equipment	19	19	(7)	(7)
Other	9	12	(6)	(6)
Total	**148**	**169**	**(27)**	**(27)**

Additions to the right-of-use assets during 2018 were €25 million (2017 restated: €27 million).

Lease liabilities

€ million	**2018**	**Restated 2017**
Maturity analysis – contractual undiscounted cash flows		
Less than one year	34	40
One to five years	84	105
More than five years	267	300
Total undiscounted cash flows	**385**	**445**
Total lease liabilities	**184**	**208**
Current	22	25
Non-current	162	183

The total cash outflow for leases during 2018 was €41 million (2017 restated: €41 million).

11 Leases

Amounts recognised in the combined and consolidated income statement

€ million	2018	Restated 2017
Interest on lease liabilities	(14)	(14)
Expenses relating to short-term leases	(1)	—
Expenses relating to leases of low-value assets	(1)	—

12 Goodwill

(a) Reconciliation

€ million	2018	2017
Net carrying value		
At 1 January	698	681
Acquired through business combinations (see note 24)	257	26
Currency movements	(13)	(9)
At 31 December	**942**	**698**

(b) Assumptions

Goodwill acquired through business combinations is allocated to the group of cash-generating units (CGUs) that are expected to benefit from the synergies of the combination and represents the lowest level at which goodwill is monitored for internal management purposes. The recoverable amounts of these groups of CGUs are the higher of fair value less costs to dispose and value-in-use. Goodwill is allocated to the groups of CGUs as follows:

			Carrying value	
€ million, unless otherwise stated	Weighted average pre-tax discount rate	Growth rate	2018	2017
Consumer Packaging	9.3%	2.0%	419	428
Containerboard	10.2%	2.7%	304	63
Kraft Paper	9.2%	1.0%	83	83
Industrial Bags	9.9%	1.0%	62	47
Corrugated Packaging	9.7%	2.7%	36	38
Uncoated Fine Paper	11.2%	0.0%	31	32
Extrusion Coatings	8.9%	0.0%	7	7
Total goodwill			**942**	**698**

Key assumptions

The key assumptions in the value-in-use calculations are:

- cash flow forecasts which are derived from the budgets most recently approved by the Boards covering the three-year period to 31 December 2021;
- sales volumes, sales prices and variable input cost assumptions in the budget period are derived from a combination of economic forecasts for the regions in which the Group operates, industry forecasts for individual product lines, internal management projections, historical performance, and announced industry capacity changes;
- cash flow projections beyond three years are based on internal management projections taking into consideration industry forecasts and growth rates in the regions in which the Group operates. Growth rates (as per the table above) are applied to the groups of CGUs for each of the following seven years beyond the budget period and zero thereafter into perpetuity; and
- capital expenditure forecasts are based on historical experience and include expenditure necessary to maintain the projected cash flows from operations at current operating levels.

The pre-tax discount rate is derived from the Group's weighted average cost of capital. In determining the discount rate applicable to each group of CGUs, adjustments are made to reflect the impacts of country risk and tax.

Sensitivity analyses

Expected future cash flows are inherently uncertain and could change materially over time. They are affected by a number of factors, including market and production estimates, together with economic factors such as prices, discount rates, currency exchange rates, estimates of production costs, and future capital expenditure.

Sensitivity analyses of reasonably possible changes in the underlying assumptions for each group of CGUs included:

→ 1% increase in discount rate;

→ 0% growth rate assumed for cash flow projections beyond three years;

→ 5% decrease in sales prices in the Containerboard and Kraft Paper groups of CGUs and Uncoated Fine Paper; and

→ 3% decrease in gross margin in the Corrugated Packaging, Industrial Bags and Extrusion Coatings groups of CGUs and Consumer Packaging.

None of these downside sensitivity analyses in isolation indicated the need for an impairment.

13 Intangible assets

€ million	2018	2017
Net carrying value		
At 1 January	111	120
Acquired through business combinations (see note 24)	14	12
Additions	10	16
Impairment charge for the year	(11)	(3)
Amortisation charge for the year	(34)	(33)
Reclassification	4	3
Currency movements	(3)	(4)
At 31 December	**91**	**111**
Cost	316	311
Accumulated amortisation and impairments	(225)	(200)

The carrying value of intangible assets comprises:

€ million	2018	2017
Internally generated		
Software development costs	40	41
Acquired through business combinations		
Customer relationships	28	45
Patents and trademarks	18	19
Other	5	6
Total intangible assets	**91**	**111**

Research and development expenditure incurred by the Group and charged to the combined and consolidated income statement during the year amounted to €22 million (2017: €23 million).

14 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 24)	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**

In total, the Group has 254,328 hectares (2017: 245,163 hectares) of owned and leased land available for forestry activities, all of which is in South Africa. 80,144 hectares (2017: 79,159 hectares) are set aside for conservation activities and infrastructure needs. 1,045 hectares (2017: 1,664 hectares) relate to non-core activities. The balance of 173,139 hectares (2017: 164,340 hectares) are under afforestation which forms the basis of the valuation set out above.

Mature forestry assets are those plantations that are harvestable, while immature forestry assets have not yet reached that stage of growth. Timber is harvested according to a rotation plan, once trees reach maturity. This period ranges from 6.5 to 14.5 years, depending on species, climate and location.

The fair value of forestry assets is a level 3 measure in terms of the fair value measurement hierarchy, consistent with prior years.

The following assumptions have a significant impact on the valuation of the Group's forestry assets:

→ The net selling price, which is defined as the selling price less the costs of transport, harvesting, extraction and loading. The net selling price is based on third-party transactions and is influenced by the species, maturity profile and location of timber. In 2018, the net selling price used ranged from the South African rand equivalent of €15 per tonne to €38 per tonne (2017: €17 per tonne to €47 per tonne) with a weighted average of €26 per tonne (2017: €29 per tonne).

→ The conversion factor used to convert hectares of land under afforestation to tonnes of standing timber, which is dependent on the species, the maturity profile of the timber, the geographic location, climate and a variety of other environmental factors. In 2018, the conversion factors ranged from 8.4 to 24.5 (2017: 8.4 to 24.8).

→ The risk premium of 13.0% (2017: 13.0%) is based on an assessment of the risks associated with forestry assets in South Africa.

The valuation of the Group's forestry assets is determined in rand and converted to euro at the closing exchange rate on 31 December of each year.

The reported value of owned forestry assets would change as follows should there be a change in these underlying assumptions on the basis that all other factors remain unchanged:

€ million	2018
Effect of €1/tonne increase in net selling price	12
Effect of 1% increase in conversion factor (hectares to tonnes)	3
Effect of 1% increase in risk premium	(4)
Effect of 1% increase in EUR/ZAR exchange rate	(3)

15 Inventories

€ million	2018	2017
Valued using the first-in-first-out cost formula		
Raw materials and consumables	35	34
Work in progress	11	13
Finished products	26	27
Total valued using the first-in-first-out cost formula	**72**	**74**
Valued using the weighted average cost formula		
Raw materials and consumables	392	333
Work in progress	116	109
Finished products	388	351
Total valued using the weighted average cost formula	**896**	**793**
Total inventories	**968**	**867**
Of which, held at net realisable value	127	119
Combined and consolidated income statement		
Cost of inventories recognised as an expense (restated)	(3,104)	(3,053)
Write-down of inventories to net realisable value	(21)	(22)
Aggregate reversal of previous write-downs of inventories	13	19
Green energy sales and disposal of emissions credits	88	62

16 Trade and other receivables

€ million	2018	2017
Trade receivables	1,052	993
Allowance for doubtful debts	(35)	(32)
Net trade receivables	**1,017**	**961**
Other receivables	30	32
Tax and social security	114	90
Prepayments and accrued income	29	23
Total trade and other receivables	**1,190**	**1,106**

Trade receivables: credit risk

The Group has a large number of unrelated customers and does not have any significant credit risk exposure to any particular customer. The Group considers that there is no significant geographical or customer concentration of credit risk.

Each business segment manages its own exposure to credit risk according to the economic circumstances and characteristics of the relevant markets that they serve. The Group considers that management of credit risk on a decentralised basis enables it to assess and manage credit risk more effectively. However, broad principles of credit risk management are observed across all business segments, such as the use of credit rating agencies, credit guarantee insurance, where appropriate, and the maintenance of a credit control function.

€ million	2018	2017
Credit risk exposure		
Gross trade receivables	1,052	993
Credit insurance	(861)	(815)
Total exposure to credit risk	**191**	**178**

The insured cover is presented gross of contractually agreed excess amounts. In addition, the Group is in possession of bank guarantees and letters of credit securing trade and other receivables to the value of €8 million (2017: €16 million).

Credit periods offered to customers vary according to the credit risk profiles of, and invoicing conventions established by, participants operating in the various markets in which the Group operates. Interest is charged at appropriate market rates on balances which are considered overdue in the relevant market.

16 Trade and other receivables

To the extent that recoverable amounts are expected to be less than their associated carrying values, impairment charges have been recorded in the combined and consolidated income statement and the carrying values have been written down to their expected recoverable amounts. The total gross carrying value of trade receivables that were subject to impairment during the year is €55 million (2017: €64 million).

Included within the Group's aggregate trade receivables balance are specific debtor balances with customers totalling €35 million (2017: €30 million) which are past due but not impaired at the reporting date. The Group has assessed these balances for recoverability and considers that their credit quality remains intact.

An ageing analysis of net trade receivables is provided as follows:

€ million	2018	2017
Trade receivables within terms	982	931
Past due by less than one month	23	20
Past due by one to two months	4	3
Past due by two to three months	3	2
Past due by more than three months	5	5
At 31 December	**1,017**	**961**

Movement in the allowance account for bad and doubtful debts

€ million	2018	2017
At 1 January	32	32
Increase in allowance recognised in combined and consolidated income statement	11	6
Amounts written-off or recovered	(6)	(5)
Currency movements	(2)	(1)
At 31 December	**35**	**32**

17 Trade and other payables

€ million	2018	2017
Trade payables	601	532
Capital expenditure payables	113	93
Tax and social security	57	56
Other payables	52	48
Accruals and deferred income	363	345
Total trade and other payables	**1,186**	**1,074**

18 Provisions

€ million	Restructuring costs	Employee related provisions	Environmental restoration	Other	Total
At 1 January 2018	22	33	5	31	**91**
Charged to combined and consolidated income statement	36	10	—	10	**56**
Acquired through business combinations (see note 24)	—	—	—	2	**2**
Disposal of businesses	—	—	(1)	—	**(1)**
Released to combined and consolidated income statement	(1)	(1)	—	(5)	**(7)**
Amounts applied	(20)	(7)	—	(9)	**(36)**
Reclassification	—	—	—	3	**3**
Currency movements	—	—	—	(1)	**(1)**
At 31 December 2018	**37**	**35**	**4**	**31**	**107**

Maturity analysis of total provisions on a discounted basis at 31 December 2018:

€ million	Restructuring costs	Employee related provisions	Environmental restoration	Other	Total
Current	32	8	—	21	61
Non-current	5	27	4	10	46
Total provisions	**37**	**35**	**4**	**31**	**107**

Other provisions are mainly attributable to potential claims against the Group and onerous contracts, none of which are individually significant. All non-current provisions are discounted using a discount rate relevant in the local countries, based on a pre-tax yield on long-term bonds.

19 Capital management

The Group defines its capital employed as equity, as presented in the combined and consolidated statement of financial position, plus net debt.

€ million	2018	Restated 2017
Equity attributable to shareholders	3,485	3,683
Equity attributable to non-controlling interests	340	324
Total equity	**3,825**	**4,007**
Net debt (see note 25c)	**2,220**	**1,532**
Capital employed	**6,045**	**5,539**

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

The Group utilises its capital employed to fund the growth of the business and to finance its liquidity needs.

The primary sources of the Group's net debt include its €2.5 billion Guaranteed Euro Medium Term Note Programme, its €750 million Syndicated Revolving Credit Facility and financing from various banks and other credit agencies, thus providing the Group with access to diverse sources of debt financing.

19 Capital management

The principal loan arrangements in place are 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).

Short-term liquidity needs are met through the Syndicated Revolving Credit Facility.

The Group reviews its capital employed on a regular basis and makes use of several indicative ratios which are appropriate to the nature of its operations and consistent with conventional industry measures. The principal ratios used include:

→ pre-tax weighted average cost of capital;
→ gearing, defined as net debt divided by capital employed;
→ net debt to 12-month trailing underlying EBITDA; and
→ return on capital employed.

	2018	Restated 2017
Pre-tax weighted average cost of capital (%)	10.5	10.5
Gearing (%)	36.7	24.7
Net debt to 12-month trailing underlying EBITDA (times)	1.3	1.0
Return on capital employed (%)	23.6	19.3

In order to manage its cost of capital, maintain an appropriate capital structure and meet its ongoing cash flow needs, the Group may issue new debt instruments; adjust the level of dividends paid to shareholders; issue new shares to, or repurchase shares from, investors; or dispose of assets to reduce its net debt exposure.

The Group operates a DLC structure, the terms of which require that the capital supplied by, or made available to, the shareholders of Mondi Limited and Mondi plc be constrained by the equality of treatment mechanism. This serves to maintain and protect the economic interests of both sets of shareholders.

The Group is subject to certain exchange control conditions as agreed with the South African Ministry of Finance. These conditions do not infringe upon the Group's ability to manage optimally its capital structure. The Group has continuously met the exchange control provisions in the past and management is committed to ensuring that the Group continues to meet these provisions in the future.

20 Borrowings

€ million	2018 Current	2018 Non-current	2018 Total	Restated 2017 Current	Restated 2017 Non-current	Restated 2017 Total
Secured						
Bank loans and overdrafts	2	—	2	—	—	—
Lease liabilities (see note 11)	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**

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.

20 Borrowings

The maturity analysis of the Group's borrowings, presented net of interest, is as follows:

2018/€ million	< 1 year	1–2 years	2–5 years	> 5 years	Total[1]
Bonds	—	499	—	1,093	1,592
Bank loans and overdrafts	239	31	200	14	484
Lease liabilities (see note 11)	22	18	30	114	184
Other loans	7	—	3	—	10
Total borrowings	**268**	**548**	**233**	**1,221**	**2,270**
Effective interest on borrowings net of amortised costs and discounts	63	36	79	180	358
Total undiscounted cash flows	**331**	**584**	**312**	**1,401**	**2,628**

2017/€ million (restated)	< 1 year	1–2 years	2–5 years	> 5 years	Total[1]
Bonds	—	—	499	496	995
Bank loans and overdrafts	255	24	46	24	349
Lease liabilities	25	20	35	128	208
Other loans	11	3	—	5	19
Total borrowings	**291**	**47**	**580**	**653**	**1,571**
Effective interest on borrowings net of amortised costs and discounts	51	40	78	191	360
Total undiscounted cash flows	**342**	**87**	**658**	**844**	**1,931**

Note:

1 It has been assumed that, where applicable, interest and foreign exchange rates prevailing at the reporting date will not vary over the time periods remaining for future cash outflows

In addition to the above, the Group swaps euro and pound sterling debt into other currencies through the foreign exchange market as disclosed in note 28.

21 Share capital and stated capital

Number of shares	Authorised
Mondi Limited ordinary shares with no par value	250,000,000
Mondi Limited special converting shares with no par value	650,000,000

Mondi plc is not restricted in the number of shares that can be issued. Any issue of shares is subject to shareholder approval.

		Called up, allotted and fully paid/€ million		
2018 & 2017	Number of shares	Share capital	Stated capital	Total
Mondi Limited ordinary shares with no par value issued on the JSE	118,312,975	—	431	431
Mondi plc €0.20 ordinary shares issued on the LSE	367,240,805	74	—	74
Total ordinary shares in issue	**485,553,780**	**74**	**431**	**505**
Mondi Limited special converting shares with no par value	367,240,805	—	8	8
Mondi plc €0.20 special converting shares	118,312,975	24	—	24
Total special converting shares	**485,553,780**	**24**	**8**	**32**
Mondi plc €0.04 deferred shares	146,896,322	5	—	5
Total shares		**103**	**439**	**542**

The special converting shares are held in trust and do not carry dividend rights. These shares provide a mechanism for equality of treatment on termination of the DLC agreement for both Mondi Limited and Mondi plc ordinary shareholders. The deferred shares are held in trust and do not carry any dividend or voting rights.

Treasury shares represent the cost of shares in Mondi Limited (held by the Mondi Incentive Schemes Trust) and Mondi plc (held by the Mondi Employee Share Trust) purchased in the market to satisfy share awards under the Group's employee share schemes (see note 22). These costs are reflected in the combined and consolidated statement of changes in equity.

	Treasury shares held			
	2018		2017	
at 31 December	Number of shares held	Average price per share	Number of shares held	Average price per share
Mondi Incentive Schemes Trust				
Mondi Limited ordinary shares with no par value	355,471	ZAR230.96	349,642	ZAR243.22
Mondi Employee Share Trust				
Mondi plc €0.20 ordinary shares	810,641	GBP19.07	869,054	GBP18.42

A dividend waiver is in place in respect of shares held by the Mondi Employee Share Trust.

22 Share-based payments

Mondi share awards

The Group has established its own share-based payment arrangements to incentivise employees. Full details of the Group's share schemes are set out in the Remuneration report.

The fair values of the share awards granted under the Mondi schemes are calculated with reference to the facts and assumptions presented below:

Mondi Limited (ZAR) & Mondi plc (GBP)	BSP 2018	BSP 2017	BSP 2016
Date of grant	27 March 2018	24 March 2017	22 March 2016
Vesting period (years)	3	3	3
Expected leavers p.a. (%)	5	5	5
Grant date fair value per instrument (GBP)	19.31	19.29	13.35
Grant date fair value per instrument (ZAR)	316.76	300.25	291.30
Number of shares conditionally awarded	266,721	301,175	499,943

22 Share-based payments

Mondi Limited (ZAR) & Mondi plc (GBP)	LTIP 2018	LTIP 2017[1]	LTIP 2016
Date of grant	27 March 2018	24 March 2017	22 March 2016
Vesting period (years)	3	3	3
Expected leavers p.a. (%)	5	5	5
Expected outcome of meeting performance criteria (%)			
ROCE component	100	100	100
TSR component	25	25	25
Grant date fair value per instrument (GBP) – Mondi plc			
ROCE component	19.31	19.52	13.35
TSR component[2]	4.83	4.88	3.34
Grant date fair value per instrument (ZAR) – Mondi Limited			
ROCE component	316.76	312.04	291.30
TSR component[2]	79.19	78.01	72.83
Number of shares conditionally awarded	450,955	554,944	690,140

Notes:

1 All participants, except the Group CEO and CFO, were granted an award on 24 March 2017. The Group CEO and CFO were granted an award on 12 May 2017 after the remuneration policy approval at the Mondi Limited and Mondi plc AGMs. The weighted average grant date fair value is reflected in the table. All performance requirements are identical for all 2017 LTIP awards

2 The base fair value has been adjusted for contractually-determined market-based performance conditions

All of these schemes are settled by the award of ordinary shares in either Mondi Limited or Mondi plc. The Group has no obligation to settle the awards made under these schemes in cash. An amount equal to the dividends that would have been paid on Bonus Share Plan (BSP) and Long-Term Incentive Plan (LTIP) share awards during the holding period are paid to participants upon vesting.

The total fair value charge in respect of all the Mondi share awards for the year ended 31 December is made up as follows:

€ million	2018	2017
Bonus Share Plan	6	8
Long-Term Incentive Plan	5	7
Total share-based payment expense	**11**	**15**

The weighted average share price of share awards that vested during the period:

	2018	2017
Mondi Limited	ZAR327.48	ZAR306.79
Mondi plc	GBP19.81	GBP18.74

A reconciliation of share award movements for the Mondi share schemes is shown below:

	BSP			LTIP		
number of shares	Mondi Ltd	Mondi plc	Total	Mondi Ltd	Mondi plc	Total
At 1 January 2017	203,668	1,095,021	**1,298,689**	258,579	1,721,605	**1,980,184**
Shares conditionally awarded	37,913	263,262	**301,175**	60,758	494,186	**554,944**
Shares vested	(116,155)	(506,618)	**(622,773)**	(85,951)	(537,535)	**(623,486)**
Shares lapsed	(5,914)	(61,162)	**(67,076)**	(48,954)	(265,643)	**(314,597)**
At 31 December 2017	**119,512**	**790,503**	**910,015**	**184,432**	**1,412,613**	**1,597,045**
Shares conditionally awarded	20,930	245,791	**266,721**	19,165	431,790	**450,955**
Shares vested	(46,841)	(302,829)	**(349,670)**	(75,283)	(499,002)	**(574,285)**
Shares lapsed	(8,202)	(15,324)	**(23,526)**	(11,063)	(16,365)	**(27,428)**
At 31 December 2018	**85,399**	**718,141**	**803,540**	**117,251**	**1,329,036**	**1,446,287**

23 Retirement benefits

The Group operates post-retirement defined contribution, post-retirement defined benefit pension plans and post-retirement medical plans for many of its employees.

Defined contribution plans

The assets of the defined contribution plans are held separately in independently administered funds. The charge in respect of these plans of €13 million (2017: €14 million) is calculated on the basis of the contribution payable by the Group in the financial year. There were no material outstanding or prepaid contributions recognised in relation to these plans as at the reporting dates presented. The expected contributions to be paid to defined contribution plans during 2019 are €13 million.

Defined benefit pension plans and post-retirement medical plans

The Group operates in excess of 100 defined benefit retirement plans across its global operations. A large proportion of the Group's defined benefit plans are closed to new members.

The majority of these plans are unfunded and provide pensions and severance benefits to members of those plans.

The most significant unfunded defined benefit plans are operated in Austria, Germany and Russia and funded plans are operated primarily in the UK. These plans are established in accordance with applicable local labour legislation and/or collective agreements with participating employees.

The benefits are based on a variety of factors, the most significant of which are a combination of pensionable service and final salary. A number of these plans also provide additional benefits in the event of death in service, disability or ill-health retirement which are derived from the final salary benefit formula.

The assets of the funded plans are held separately in independently administered funds, in accordance with statutory requirements or local practice where those funds are operated. The boards of trustees of these plans are required to act in the best interest of the plans and all relevant stakeholders of the plans (active employees, inactive employees, retirees and employers), and are responsible for the investment policy with regard to the assets of the plans.

The post-retirement medical plans provide health benefits to retired employees and certain of their dependants. Eligibility for cover is dependent upon certain criteria. The South African plan is unfunded and has been closed to new participants since 1 January 1999.

Developments in 2018

On 13 December 2018 a change in the Austrian Social Security Law was enacted into law. Effective 1 January 2020, the law proposes that the plan assets and liabilities of the Group's Austrian health insurance fund be assumed by the Republic of Austria. The law provides options to the Group on how to comply with this change. The Group is currently assessing the options available and the impact expected.

Due to a ruling in the High Court of the UK, an equalisation for the effect of unequal Guaranteed Minimum Pensions (GMPs) was required to address inequality. An equalisation has been performed by the Group's actuaries in respect of the UK pension scheme which resulted in the recognition of €1 million as a past service cost in the current year.

Except for the actuarial risks set out below, the Group has not identified any additional specific risks in respect of these plans.

23 Retirement benefits

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

Investment risk (Asset volatility)	The present value of the net retirement benefit liability/asset is calculated using a discount rate determined by reference to high-quality bond yields. If the return on plan assets is below this rate, it will create a plan deficit that needs to be funded/guaranteed by the employer. Currently the plan assets have a relatively balanced investment in equity and bonds. Due to the long-term nature of the plan liabilities, the boards of trustees consider it appropriate that a reasonable portion of the plan assets should be invested in equities.
Interest risk	A decrease in the bond interest rate will increase plan liabilities, however this will be partially offset by an increase in the value of the plan's fixed rate debt instruments.
Longevity risk	The present value of the net retirement benefit liability/asset is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan liabilities.
Salary risk	The present value of the net retirement benefit liability/asset is calculated by reference to the expected future salaries of plan participants. An increase in the salary of the plan participants will increase the plan liabilities.
Medical cost inflation risk	The present value of the post-retirement medical plans is calculated by reference to expected future medical costs. An increase in medical cost inflation will increase the plan liabilities.

Independent qualified actuaries carry out full valuations every year using the projected unit credit method.

Actuarial assumptions

The weighted average principal assumptions used in the actuarial valuations are detailed below:

	2018			2017		
%	South Africa	Europe	Other regions	South Africa	Europe	Other regions
Discount rate	9.8	2.1	10.1	9.5	1.9	7.8
Rate of inflation	6.3	2.3	5.9	6.8	2.3	4.3
Rate of increase in salaries	7.3	2.8	7.2	7.8	2.8	5.5
Rate of increase of pensions in payment	—	2.9	4.0	—	2.9	4.0
Expected average increase of medical costs	7.8	3.7	—	8.3	3.7	—

The assumption for the discount rate for plan liabilities is based on AA corporate bonds, which are of a suitable duration and currency. In South Africa, the discount rate assumption has been based on the zero coupon government bond yield curve.

Mortality assumptions

The assumed remaining life expectancies on retirement at age 65 are:

	2018			2017		
years	South Africa	Europe	Other regions	South Africa	Europe	Other regions
Retiring today						
Males	16.2	14.1–22.9	15.1–20.7	16.1	14.1–22.8	15.1–20.8
Females	20.2	17.7–27.4	17.7–25.3	20.2	17.6–27.1	18.6–25.3
Retiring in 20 years						
Males	21.7	14.1–25.4	15.1–21.0	21.5	14.1–25.0	15.1–21.2
Females	25.8	17.7–27.8	17.7–25.3	25.7	17.6–27.7	18.6–25.3

The mortality assumptions have been based on published mortality tables in the relevant jurisdictions.

The amounts recognised in the combined and consolidated statement of financial position are determined as follows:

	2018				2017			
€ million	South Africa	Europe	Other regions	Total	South Africa	Europe	Other regions	Total
Present value of unfunded liabilities	(45)	(126)	(16)	(187)	(52)	(124)	(19)	(195)
Present value of funded liabilities	—	(173)	(3)	(176)	—	(172)	—	(172)
Present value of plan liabilities	**(45)**	**(299)**	**(19)**	**(363)**	**(52)**	**(296)**	**(19)**	**(367)**
Fair value of plan assets	—	135	—	135	—	142	—	142
Net retirement benefits liability	**(45)**	**(164)**	**(19)**	**(228)**	**(52)**	**(154)**	**(19)**	**(225)**
Amounts reported in combined and consolidated statement of financial position								
Defined benefit pension plans	—	6	—	6	—	7	—	7
Net retirement benefits asset	**—**	**6**	**—**	**6**	**—**	**7**	**—**	**7**
Defined benefit pension plans	—	(149)	(19)	(168)	—	(155)	(19)	(174)
Post-retirement medical plans	(45)	(21)	—	(66)	(52)	(6)	—	(58)
Net retirement benefits liability	**(45)**	**(170)**	**(19)**	**(234)**	**(52)**	**(161)**	**(19)**	**(232)**

The changes in the present value of defined benefit liabilities and fair value of plan assets are as follows:

	Defined benefit liabilities		Fair value of plan assets		Net liability	
€ million	2018	2017	2018	2017	2018	2017
At 1 January	(367)	(377)	142	138	(225)	(239)
Included in combined and consolidated income statement						
Current service cost	(5)	(6)	—	—	(5)	(6)
Past service cost	(1)	—	—	—	(1)	—
Loss from settlement	(2)	—	—	—	(2)	—
Interest	(11)	(12)	3	3	(8)	(9)
Included in combined and consolidated statement of comprehensive income						
Remeasurement (losses)/gains	(6)	1	—	—	(6)	1
Return on plan assets	—	—	(6)	8	(6)	8
Acquired through business combinations (see note 24)	(1)	—	—	—	(1)	—
Contributions paid by scheme members	(3)	(3)	3	3	—	—
Contributions paid by employer	—	—	3	3	3	3
Benefits paid	24	22	(10)	(9)	14	13
Currency movements	9	8	—	(4)	9	4
At 31 December	**(363)**	**(367)**	**135**	**142**	**(228)**	**(225)**

23 Retirement benefits

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

€ million	2018 Defined benefit pension plans	2018 Post-retirement medical plans	2018 Total	2017 Defined benefit pension plans	2017 Post-retirement medical plans	2017 Total
Less than a year	10	11	**21**	10	8	**18**
Between one and two years	13	4	**17**	10	11	**21**
Between two to five years	31	13	**44**	31	21	**52**
After five years	248	133	**381**	261	198	**459**

The change in the maturity analysis of undiscounted retirement benefits for post-retirement medical plans is due to the change in the Austrian Social Security Law which resulted in the future expected cash flows for the Group's Austrian health insurance fund being limited to one year, with no further cash flows expected after 1 January 2020.

The weighted average duration of the defined retirement benefits liability for South Africa is nine years (2017: 10 years), Europe 15 years (2017: 15 years) and other regions 13 years (2017: 13 years).

It is expected that the Group's share of contributions will increase as the schemes' members age. The expected contributions to be paid to defined benefit pension plans and post-retirement medical plans during 2019 are €19 million.

The market values of the plan assets in these plans are detailed below:

€ million	2018 Quoted	2018 Unquoted	2018 Total	2017 Quoted	2017 Unquoted	2017 Total
External equity	12	—	**12**	40	—	**40**
Bonds	51	—	**51**	83	—	**83**
Insurance contracts	—	17	**17**	—	17	**17**
Cash	8	—	**8**	2	—	**2**
Liability driven investment (LDI) portfolio	47	—	**47**	—	—	—
Fair value of plan assets	**118**	**17**	**135**	**125**	**17**	**142**

The majority of the Group's plan assets are located in Austria and the UK and the following asset-liability matching/investing strategies are applied:

Austria	The investment strategy is based on Austrian Social Security Law which stipulates that investments can only be made in high-quality euro bonds or deposits in euro in highly rated financial institutions. No investments in equity or equity funds are allowed. Due to legal and market restrictions asset-liability matching is not possible.
UK	The trustees invest in diverse portfolios of pooled funds. The long-term objective is to ensure that each plan can continue to meet the benefit payments without exposing either the plan or the Group to an undue level of risk. The mix of investments in each plan is determined taking into account the maturity, currency and nature of the expected benefit payments required. The LDI portfolio is constituted of bonds and derivatives and is a UK plan asset which is designed to hedge the interest rate risk of the pension fund liabilities.

There are no other financial instruments or property owned by the Group included in the fair value of plan assets.

The fair values of equity, bonds and cash are determined based on quoted prices in active markets. The fair value of insurance contracts is determined in accordance with IAS 19.

The actual return on plan assets in respect of defined benefit plans was a loss of €3 million (2017: gain of €11 million).

The market value of assets is used to determine the funding level of the plans and is sufficient to cover 77% (2017: 83%) of the benefits which have accrued to members, after allowing for expected increases in future earnings and pensions. Companies within the Group are paying contributions at rates agreed with the plans' trustees and in accordance with local independent actuarial advice and statutory provisions.

In certain jurisdictions, Group plans are subject to minimum funding requirements. At 31 December 2018, these minimum funding requirements did not give rise to the recognition of any additional liabilities.

Sensitivity analyses

The sensitivity analyses below have been determined based on reasonably possible changes to the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

The sensitivity analyses may not be representative of the actual changes in the net retirement benefits asset/(liability) as it is unlikely that the changes in assumptions would occur in isolation of one another and some of the assumptions may be inter-related. The projected unit credit method was used to calculate the sensitivity analyses below.

A 1% change in the assumptions would have the following effects on the net retirement benefits plans:

€ million	1% increase	1% decrease
Discount rate		
(Decrease)/increase in current service cost	(1)	1
(Decrease)/increase in net retirement benefits liability	(50)	66
Rate of inflation		
Increase/(decrease) in current service cost	1	(1)
Increase/(decrease) in net retirement benefits liability	31	(27)
Rate of increase in salaries		
Increase/(decrease) in current service cost	1	(1)
Increase/(decrease) in net retirement benefits liability	14	(13)
Rate of increase of pensions in payment		
Decrease in current service cost	—	—
Increase/(decrease) in net retirement benefits liability	10	(10)
Medical cost trend rate		
Increase/(decrease) in aggregate of the current service cost and interest cost	1	(1)
Increase/(decrease) in net retirement benefits liability	24	(19)
Mortality rates	**1 year increase**	
Increase in current service cost	—	
Increase in net retirement benefits liability	14	

24 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 combined and consolidated income statement.

24 Business combinations

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

€ million	Book value	Revaluation	Fair value
Net assets acquired			
Property, plant and equipment	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 acquisition			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 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 combined and consolidated income statement.

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 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 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 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**

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

24 Business combinations

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 combined and consolidated statement of cash flows	**37**

€ 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 combined and consolidated income statement.

25 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 combined and consolidated statement of financial position	52	38
Bank overdrafts included in short-term borrowings	(44)	(104)
Cash and cash equivalents per 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.

25 Consolidated cash flow analysis

(c) Movement in net debt

The Group's net debt position is as follows:

€ million	Cash and cash equivalents	Current financial asset investments	Total assets	Debt due within one year	Debt due after one year	Debt-related derivative financial instruments	Total debt	Total net debt
At 1 January 2017, as previously reported	377	2	**379**	(624)	(1,119)	(19)	**(1,762)**	**(1,383)**
Impact of change in accounting policy (see note 33)	—	—	**—**	(22)	(190)	—	**(212)**	**(212)**
Restated balance at 1 January 2017	377	2	**379**	(646)	(1,309)	(19)	**(1,974)**	**(1,595)**
Cash flow (restated)	(439)	(1)	**(440)**	504	(14)	—	**490**	**50**
Additions to lease liabilities (restated)	—	—	**—**	(5)	(22)	—	**(27)**	**(27)**
Acquired through business combinations	—	(1)	**(1)**	(2)	(8)	—	**(10)**	**(11)**
Movement in unamortised loan costs	—	—	**—**	—	(2)	—	**(2)**	**(2)**
Net movement in derivative financial instruments	—	—	**—**	—	—	20	**20**	**20**
Reclassification (restated)	—	1	**1**	(54)	54	—	**—**	**1**
Currency movements (restated)	(4)	—	**(4)**	16	21	(1)	**36**	**32**
Restated balance at 31 December 2017	**(66)**	**1**	**(65)**	**(187)**	**(1,280)**	**—**	**(1,467)**	**(1,532)**
Cash flow	67	—	**67**	16	(765)	—	**(749)**	**(682)**
Additions to lease liabilities	—	—	**—**	(5)	(19)	—	**(24)**	**(24)**
Disposal of lease liabilities	—	—	**—**	2	4	—	**6**	**6**
Acquired through business combinations (see note 24)	—	—	**—**	(31)	(1)	—	**(32)**	**(32)**
Movement in unamortised loan costs	—	—	**—**	—	(2)	—	**(2)**	**(2)**
Net movement in derivative financial instruments	—	—	**—**	—	—	(2)	**(2)**	**(2)**
Reclassification	—	—	**—**	(39)	42	—	**3**	**3**
Currency movements	7	—	**7**	20	19	(1)	**38**	**45**
At 31 December 2018	**8**	**1**	**9**	**(224)**	**(2,002)**	**(3)**	**(2,229)**	**(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**

26 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.

27 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 combined and consolidated statement of financial position for either year presented.

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

28 Financial instruments

The Group's trading and financing activities expose it to various financial risks that, if left unmanaged, could adversely impact current or future earnings. Although not necessarily mutually exclusive, these financial risks are categorised separately according to their different generic risk characteristics and include market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group is actively engaged in the management of all of these financial risks in order to minimise their potential adverse impact on the Group's financial performance.

The principles, practices and procedures governing the group-wide financial risk management process have been approved by the Boards and are overseen by the DLC executive committee. In turn, the DLC executive committee delegates authority to a central treasury function (Group treasury) for the practical implementation of the financial risk management process across the Group and for ensuring that the Group's entities adhere to specified financial risk management policies. Group treasury continually reassesses and reports on the financial risk environment; identifying, evaluating and hedging financial risks by entering into derivative contracts with counterparties where appropriate. The Group does not take speculative positions on derivative contracts.

(a) Financial instruments by category

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 classification categories previously defined under IAS 39 were replaced in IFRS 9 with the categories 'amortised cost', 'fair value through profit or loss' and 'fair value through OCI'.

Financial assets previously held as 'available-for-sale' and 'loans and receivables' were transferred to the categories 'at fair value through profit or loss' and 'at amortised cost' respectively, effective from 1 January 2018. The transfer in financial asset categories did not have a material impact on the measurement of the financial assets.

2018/€ million	Fair value hierarchy	At amortised cost	At fair value through profit or loss	At fair value through OCI	Total
Financial assets					
Trade and other receivables[1]		1,047	—	—	1,047
Financial asset investments	Level 2	3	18	—	21
Derivative financial instruments	Level 2	—	8	1	9
Cash and cash equivalents		52	—	—	52
Total		**1,102**	**26**	**1**	**1,129**

2017/€ million	Fair value hierarchy	Available-for-sale investments	Loans and receivables	At fair value through profit or loss	At fair value through OCI	Total
Financial assets						
Trade and other receivables[1]		—	993	—	—	993
Financial asset investments	Level 2	18	6	—	—	24
Derivative financial instruments	Level 2	—	—	10	3	13
Cash and cash equivalents		—	38	—	—	38
Total		**18**	**1,037**	**10**	**3**	**1,068**

Note:
1 Excludes tax, social security, prepayments and accrued income

The fair values of financial assets investments represent the published prices of the securities concerned.

2018/€ million	Fair value hierarchy	At amortised cost	At fair value through profit or loss	At fair value through OCI	Total
Financial liabilities					
Borrowings – bonds	Level 1	(1,592)	—	—	(1,592)
Borrowings – loans and overdrafts	Level 2	(494)	—	—	(494)
Lease liabilities	Level 3	(184)	—	—	(184)
Trade and other payables[1]		(766)	—	—	(766)
Derivative financial instruments	Level 2	—	(12)	(1)	(13)
Other non-current liabilities	Level 2/3	(14)	—	—	(14)
Total		**(3,050)**	**(12)**	**(1)**	**(3,063)**

Note:
1 Excludes tax, social security, accruals and deferred income

2017/€ million (restated)	Fair value hierarchy	At amortised cost	At fair value through profit or loss	Total
Financial liabilities				
Borrowings – bonds	Level 1	(995)	—	(995)
Borrowings – loans and overdrafts	Level 2	(368)	—	(368)
Lease liabilities	Level 3	(208)	—	(208)
Trade and other payables[1]		(673)	—	(673)
Derivative financial instruments	Level 2	—	(8)	(8)
Other non-current liabilities	Level 2/3	(19)	—	(19)
Total		**(2,263)**	**(8)**	**(2,271)**

Note:
1 Excludes tax, social security, accruals and deferred income

(b) Fair value measurement

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

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

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

(c) Financial risk management

Market risk

The Group's activities expose it primarily to foreign exchange and interest rate risk. Both risks are actively monitored on a regular basis and managed through the use of foreign exchange contracts and interest rate swaps as appropriate. Although the Group's cash flows are exposed to movements in key input and output prices, such movements represent commercial rather than financial risk inherent to the Group.

Foreign exchange risk

The Group operates globally and is exposed to foreign exchange risk in the normal course of its business. Multiple currency exposures arise from commercial transactions denominated in foreign currencies, recognised financial assets and liabilities (monetary items) denominated in foreign currencies and translational exposure on net investments in foreign operations.

Foreign exchange contracts

The Group's treasury policy requires subsidiaries to actively manage foreign currency transactional exposures against their functional currencies by entering into foreign exchange contracts. For segmental reporting purposes, each subsidiary enters into, and accounts for, foreign exchange contracts with Group treasury or with counterparties that are external to the Group, whichever is more commercially appropriate.

Only material balance sheet exposures and highly probable forecast capital expenditure transactions are hedged.

Foreign currency sensitivity analysis

Foreign exchange risk sensitivity analysis has been performed on the foreign currency exposures inherent in the Group's financial assets and financial liabilities at the reporting dates presented, net of related foreign exchange contracts. The sensitivity analysis provides an indication of the impact on the Group's reported earnings of reasonably possible changes in the currency exposures embedded within the functional currency environments that the Group operates in. In addition, an indication is provided of how reasonably possible changes in foreign exchange rates might impact on the Group's equity, as a result of fair value adjustments to foreign exchange contracts designated as cash flow hedges. Reasonably possible changes are based on an analysis of historical currency volatility, together with any relevant assumptions regarding near-term future volatility.

28 Financial instruments

Net monetary foreign currency exposures by functional currency zone

	Net monetary foreign currency exposures – assets/(liabilities)[1]	
	2018	
€ million	EUR	Other
Functional currency zones[2]		
Euro	—	(10)
South African rand	(6)	(4)
Czech koruna	14	—
Polish zloty	(7)	2
Russian rouble	13	(11)
Swedish krona	(26)	—
Turkish lira	(22)	(2)
Other	(66)	17

Notes:

1 Presented in euro, the presentation currency of the Group

2 Net monetary exposures represent financial assets less financial liabilities denominated in currencies other than the applicable functional currency, adjusted for the effects of foreign exchange risk hedging, excluding cash flow hedging of non-monetary assets and liabilities

Resultant impacts of reasonably possible changes to foreign exchange rates

The Group considers that for each functional to foreign currency net monetary exposure it is reasonable to assume a 5% appreciation/depreciation of the functional currency. If all other variables are held constant, the table below presents the impacts on the Group's combined and consolidated income statement if these currency movements had occurred.

	Income/(expense)	
	2018	
€ million	+5%	-5%
Functional currency zones		
Czech koruna	1	(1)
Swedish krona	1	(1)
Other	5	(5)

The corresponding fair value impact on the Group's equity, resulting from the application of these reasonably possible changes to the valuation of the Group's foreign exchange contracts designated as cash flow hedges, would have been €1 million. It has been assumed that changes in the fair value of foreign exchange contracts designated as cash flow hedges of non-monetary assets and liabilities are fully recorded in equity and that all other variables are held constant.

Interest rate risk

The Group holds cash and cash equivalents, which earn interest at a variable rate and has variable and fixed rate debt in issue. Consequently, the Group is exposed to interest rate risk. Although the Group has fixed rate debt in issue, the Group's accounting policy stipulates that all borrowings be held at amortised cost. As a result, the carrying value of fixed rate debt is not sensitive to changes in credit conditions in the relevant debt markets and there is, therefore, no exposure to fair value interest rate risk.

Management of cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term highly liquid investments which have a maturity of three months or less from the date of acquisition. Centralised cash pooling arrangements are in place, which ensure that cash is utilised most efficiently for the ongoing working capital needs of the Group's operating units and, in addition, to ensure that the Group earns the most advantageous rates of interest available.

Management of variable rate debt

The Group has multiple variable rate debt facilities, of which the most significant is the Syndicated Revolving Credit Facility (see note 19). When deemed necessary, Group treasury uses interest rate swaps to hedge certain exposures to movements in the relevant interbank lending rates, primarily the London Interbank Offered Rate (LIBOR) and the Johannesburg Interbank Agreed Rate (JIBAR).

The Group's cash and cash equivalents act as a natural hedge to movements in the relevant interbank lending rates on its variable rate debt, subject to any interest rate differentials that exist between the Group's corporate saving and lending rates.

Net variable rate debt sensitivity analysis

The net variable rate exposure represents variable rate debt less the future cash outflows swapped from variable-to-fixed via interest rate swap instruments and cash and cash equivalents. Reasonably possible changes in interest rates have been applied to the net variable rate exposure, denominated by currency, in order to provide an indication of the possible impact on the Group's combined and consolidated income statement.

Interest rate risk sensitivities on variable rate debt

	Interest rate risk exposures					
	2018			Restated 2017		
€ million	**EUR**	**Other**	**Total**	**EUR**	**Other**	**Total**
Total debt	1,836	434	2,270	1,180	391	1,571
Less:						
Fixed rate debt	(1,593)	(24)	(1,617)	(999)	(9)	(1,008)
Lease liabilities	(47)	(137)	(184)	(52)	(156)	(208)
Cash and cash equivalents	(10)	(42)	(52)	(6)	(32)	(38)
Net variable rate debt and exposure	**186**	**231**	**417**	**123**	**194**	**317**

Included in other is net variable exposure to various currencies, the most significant of which are ZAR and TRY (2017: ZAR and TRY).

The Group did not have any outstanding interest rate swaps at 31 December 2018 (2017: €nil).

The potential impact on the Group's combined and consolidated equity resulting from the application of +50 basis points to the variable interest rate exposure would be a gain of €2 million and vice versa for a -50 fall in basis points.

In addition to the above, 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 the 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**

Credit risk

The Group's credit risk is mainly confined to the risk of customers defaulting on sales invoices raised. The Group's exposure to the credit risk inherent in its trade receivables and the associated risk management techniques that the Group deploys in order to mitigate this risk are discussed in note 16.

Several Group entities have also issued certain financial guarantees to external counterparties in order to achieve competitive funding rates for specific debt agreements entered into by other Group entities. None of these financial guarantees contractually obligates the Group to pay more than the recognised financial liabilities in the entities concerned. As a result, these financial guarantee contracts have no bearing on the credit risk profile of the Group as a whole.

28 Financial instruments

Liquidity risk

Liquidity risk is the risk that the Group could experience difficulties in meeting its commitments to creditors as financial liabilities fall due for payment. The Group manages its liquidity risk by using reasonable and retrospectively assessed assumptions to forecast the future cash-generative capabilities and working capital requirements of the businesses it operates and by maintaining sufficient reserves, committed borrowing facilities and other credit lines as appropriate.

The following table shows the amounts available to draw down on the Group's committed loan facilities:

€ million	2018	2017
Expiry date		
Within one year	48	58
Two to five years	568	733
Total credit available (see note 19)	**616**	**791**

Forecast liquidity represents the Group's expected cash inflows, principally generated from sales made to customers, less the Group's expected cash outflows, principally related to the payment of employees, supplier payments and the repayment of borrowings plus the payment of any interest accruing thereon. The matching of these cash inflows and outflows rests on the expected ageing profiles of the underlying assets and liabilities.

Short-term financial assets and financial liabilities are primarily represented by the Group's trade receivables and trade payables. The matching of the cash flows that result from trade receivables and trade payables typically takes place over a period of three to four months from recognition in the combined and consolidated statement of financial position and is managed to ensure the ongoing operating liquidity of the Group.

Financing cash outflows may be longer-term in nature. The Group does not hold long-term financial assets to match against these commitments, but is significantly invested in long-term non-financial assets which generate the sustainable future cash inflows, net of future capital expenditure requirements, needed to service and repay the Group's borrowings.

(d) Derivative financial instruments

At 31 December 2018, the Group recognised total derivative assets of €9 million (2017: €13 million) and derivative liabilities of €13 million (2017: €8 million). The full net liability of €4 million (2017: net asset of €5 million) will mature within one year.

The notional amount of €1,725 million (2017: €1,605 million) is the aggregate face value of all derivatives outstanding at the reporting date. They do not indicate the contractual future cash flows of the derivative instruments held or their current fair value and, therefore, do not indicate the Group's exposure to credit or market risks. Of the €1,725 million (2017: €1,605 million) aggregate notional amount, €1,300 million (2017: €1,305 million) relates to the economic hedging of foreign exchange exposures on short-term inter-company funding balances, which are fully eliminated on consolidation.

Derivative financial instruments are subject to International Swaps and Derivatives Association (ISDA) master netting agreements. The amounts are not offset in the statement of financial position.

Hedging

Cash flow hedges

The Group designates certain derivative financial instruments as cash flow hedges. The fair value gains/(losses) are reclassified from the cash flow hedge reserve to the combined and consolidated income statement in the period when the hedged transaction affects profit and loss. For non-current non-financial assets, these gains/(losses) are included in the carrying value of the asset and depreciated over the same useful life as the cost of the asset.

No fair value gains/(losses) (2017: €nil) were reclassified from the cash flow hedge reserve to property, plant and equipment during the current year. There was no ineffectiveness recognised in the combined and consolidated income statement arising on cash flow hedges for both years presented.

29 Related party transactions

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

Transactions between Mondi Limited, Mondi plc and their respective subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

	Associates	
€ million	**2018**	**2017**
Sales to related parties	18	22
Purchases from related parties	208	194
Receivables due from related parties	2	2
Payables due to related parties	44	30

Compensation for the Boards and key management

In accordance with IAS 24, 'Related Party Disclosures', key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, and includes directors (both Executive and Non-Executive) of Mondi Limited and Mondi plc. The Boards and those members of the DLC executive committee who are not directors comprise the key management personnel of the Group. The remuneration of the directors is disclosed in the Remuneration report.

€ million	2018	2017
Salaries and short-term employee benefits	8.4	8.5
Non-Executive Directors	1.1	1.1
Defined contribution plan payments	0.9	0.9
Social security costs	0.7	1.2
Share-based payments	5.1	6.6
Total	**16.2**	**18.3**

The information presented in the table above, in conjunction with the audited information included in the Remuneration report, satisfies the disclosure requirements of the Companies Act of South Africa 2008 Section 30(4) to (6) with regard to the remuneration of prescribed officers of the Group.

Details of the transactions between the Group and its pension and post-retirement medical plans are disclosed in note 23.

30 Group companies

Composition of the Group

The subsidiaries of the Group as at 31 December 2018 are set out in note 6 of the Mondi Limited parent company financial statements and note 11 of the Mondi plc parent company financial statements. All of these interests are combined and consolidated within the Group's financial statements.

The Group has no material joint ventures or associates.

Refer to Mondi's global footprint on pages 6 and 7 of the overview to the Integrated report for more information on the places of operation.

Details of non-wholly-owned subsidiaries

	Proportion of ownership interests and voting rights held by non-controlling interests (%)		Profit attributable to non-controlling interests		Equity attributable to non-controlling interests	
€ million, unless otherwise stated	**2018**	**2017**	**2018**	**Restated 2017**	**2018**	**Restated 2017**
Mondi SCP a.s.	49	49	30	32	278	263
Individually immaterial subsidiaries with non-controlling interests			12	11	62	61
Total			**42**	**43**	**340**	**324**

Summarised financial information of the Group's material non-controlling interest is as follows:

Mondi SCP a.s.

€ million	**2018**	**Restated 2017**
Statement of financial position		
Non-current assets	542	509
Current assets	352	343
Current liabilities	(193)	(223)
Non-current liabilities	(126)	(83)
Net assets	**575**	**546**
Equity attributable to owners of the company	297	283
Equity attributable to non-controlling interests	278	263
Income statement and statement of comprehensive income		
Revenue	806	770
Operating costs (including taxation)	(743)	(699)
Profit for the year	**63**	**71**
Attributable to owners of the company	33	39
Attributable to non-controlling interests	30	32
Profit and total comprehensive income for the year	**63**	**71**
Dividends paid to non-controlling interests	**15**	**20**
Statement of cash flows		
Net cash inflow from operating activities	113	115
Net cash outflow from investing activities	(79)	(37)
Net cash outflow from financing activities	(34)	(38)
Net cash inflow	**—**	**40**

The summarised financial information represents amounts before intra-group eliminations.

31 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.

32 Accounting policies

Basis of consolidation

The combined and consolidated financial statements incorporate the revenues, expenses, assets, liabilities, equity and cash flows of Mondi Limited and Mondi plc, and of their respective subsidiaries (together 'the Group'), and the Group's share of equity accounted investees drawn up to 31 December each year. All intra-group balances and transactions are eliminated.

A subsidiary is an entity over which the Group has control. Control is evident where the Group is exposed to, or has rights to, variable returns from its involvement with that entity and has the ability to affect those returns through its power over that entity. The results of subsidiaries acquired or disposed of during the years presented are included in the combined and consolidated income statement from the effective date of acquiring control or up to the effective date of disposal.

Non-controlling interests are measured, at initial recognition, as the non-controlling proportion of the fair values of the assets and liabilities recognised at acquisition.

After initial recognition, non-controlling interests are measured as the aggregate of the value at initial recognition and their subsequent proportionate share of profits and losses less any distributions made.

Changes in the Group's interests in subsidiaries that do not result in a change in control are accounted for as equity transactions. Any resulting difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration payable or receivable is recognised directly in equity and attributed to the shareholders.

Foreign currency transactions and translation

Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the entity that has undertaken the transaction using the exchange rates ruling on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the reporting date. Gains and losses arising on translation are included in the combined and consolidated income statement and are classified as either operating or financing consistent with the nature of the monetary item giving rise to them.

Translation of overseas operations

The Group's results are presented in euro, the currency in which most of its business is conducted. On consolidation, the assets and liabilities of the Group's overseas operations are translated into the presentation currency of the Group at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the month in which they occur where these approximate the rates on the dates of the underlying transactions. Exchange differences, if any, are recognised directly in other comprehensive income, and accumulated in equity. Such translation differences are reclassified to profit and loss only on disposal or partial disposal of the overseas operation.

Fair value measurement

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

→ level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

→ level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

→ level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The assets measured at fair value on level 3 of the fair value measurement hierarchy are the Group's forestry assets as set out in note 14 and certain assets acquired or liabilities assumed in business combinations.

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.

32 Accounting policies

Specific valuation methodologies used to value financial instruments include:

→ the fair values of interest rate swaps and foreign exchange contracts are calculated as the present value of expected future cash flows based on observable yield curves and exchange rates;

→ the fair values of the Group's commodity price derivatives are calculated as the present value of expected future cash flows based on observable market data; and

→ other techniques, including discounted cash flow analysis, are used to determine the fair values of other financial instruments.

Segmental reporting (note 2)

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

Measurement of operating segment revenues, profit and loss, assets and non-current non-financial assets

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

The operating segment measures adhere to the recognition and measurement criteria presented in the Group's accounting policies and are presented on an underlying basis, excluding special items. The Group has presented certain non-IFRS measures (Alternative Performance Measures) by segment to supplement the user's understanding. All intra-group transactions are conducted on an arm's length basis.

The Group's measure of net segment assets includes the allocation of net retirement benefits assets and liabilities. The measure of segment results exclude, however, the financing effects of the Group's defined benefit retirement plans. In addition, the Group's measure of net segment assets does not include an allocation for derivative assets and liabilities, non-operating receivables and payables and assets held for sale and associated liabilities. The measure of segment results includes the effects of certain movements in these unallocated balances.

There has been no change in the basis of measurement of segment profit and loss in the financial year.

Revenue from contracts with customers

Sale of goods (note 2)

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.

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 (note 2)

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.

Other income

Sale of green energy and CO_2e credits (note 15)

Income generated from the sale of green energy and CO_2e credits issued under international trading schemes is measured at the consideration received in exchange for transferring such credits. The income is recorded within other net operating expenses in the combined and consolidated income statement when ownership rights pass to the buyer. Any unsold green energy credits are recorded in inventory.

Investment income (note 6)

Interest income, which is derived from cash and cash equivalents and other interest-bearing financial assets, is accrued on a time proportion basis, by reference to the principal outstanding and at the applicable effective interest rate. Interest income is included in net finance costs.

Taxation (note 7)

The tax expense represents the sum of the current tax charge and the deferred tax charge.

Current tax

The current tax charge is based on taxable profit for the year. The Group's asset/liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date. The Group is regularly subjected to routine tax audits. Provision is made based on the tax laws in the relevant country and the expected outcomes of any negotiations or settlements.

The Group is subject to corporate taxes in a number of jurisdictions and a degree of estimation and judgement is required in determining the appropriate tax provision for transactions where the tax treatment is uncertain. In these circumstances, the Group recognises provisions for taxes based on information available where the anticipated liability is both probable and estimable.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amount of assets and liabilities in the Group's combined and consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition, other than in a business combination, of other assets and liabilities in a transaction that affects neither the tax profit nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date. The carrying amount is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered within a reasonable period of time. Similarly, it is increased to the extent that it becomes probable that sufficient taxable profit will be available in the future for all or part of the deferred tax asset to be recovered within a reasonable period of time.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted and are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to the combined and consolidated income statement, except when it relates to items charged or credited directly to other comprehensive income and accumulated in equity, in which case the deferred tax is also taken directly to other comprehensive income and accumulated in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The Group applies the initial recognition exemption model to account for any investment tax credits. Deferred tax is not recognised for temporary differences relating to investment tax credits due to the availability of the initial recognition exemption.

Earnings per share (EPS) (note 8)

Basic EPS

Basic EPS is calculated by dividing net profit attributable to ordinary shareholders by the weighted average number of the sum of ordinary Mondi Limited and Mondi plc shares in issue during the year, net of treasury shares.

Diluted EPS

For diluted EPS, the weighted average number of the sum of Mondi Limited and Mondi plc ordinary shares in issue, net of treasury shares, is adjusted to assume conversion of all dilutive potential ordinary shares. At present these only include share awards granted to employees. Potential or contingent share issues are treated as dilutive when their conversion to shares would decrease EPS.

32 Accounting policies

Non-current non-financial assets excluding goodwill, deferred tax and net retirement benefits asset

Property, plant and equipment (note 10)

Property, plant and equipment principally comprise land and buildings, plant and equipment and assets in the course of construction.

Property, plant and equipment is stated at cost less accumulated depreciation and impairment. Land and assets in the course of construction are carried at cost less impairment. Cost includes site preparation, the purchase price of the equipment and directly attributable labour and installation costs. Borrowing costs are capitalised on qualifying assets. The capitalisation of costs ceases when the asset is in the location and condition necessary for it to be capable of commercial operation. Start-up and ongoing maintenance costs are not capitalised.

Depreciation is charged to the combined and consolidated income statement so as to write off the cost of assets, other than freehold land and assets in the course of construction, over their estimated useful lives on a straight-line basis to their estimated residual values.

Residual values and useful lives are reviewed at least annually. Depreciation commences when the assets are ready for their intended use. Estimated useful lives range from three years to 20 years for items of plant and equipment and other categories and to a maximum of 50 years for buildings.

Leases (note 11)

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 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 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 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 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.

Intangible assets and research and development expenditure (note 13)

Intangible assets are measured initially at purchase consideration and are amortised on a straight-line basis over their estimated useful lives. Estimated useful lives vary between three years and 10 years and are reviewed at least annually.

Research expenditure is expensed in the year in which it is incurred. Development costs are capitalised when the completion of the asset is both commercially and technically feasible and are amortised on a systematic basis over the economic life of the related development. Development costs are recognised immediately as an expense if they do not qualify for capitalisation.

Impairment of property, plant and equipment and intangible assets

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated. If the recoverable amount of an asset, or cash-generating unit (CGU) to which the asset relates, is less than its carrying amount, the carrying amount of the asset, or CGU, is reduced to its recoverable amount and an impairment recognised as an expense.

The recoverable amount of the asset, or CGU, is the higher of its fair value less costs to dispose and its value-in-use. In assessing value-in-use, the estimated future cash flows generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the smallest CGU to which the asset belongs.

Where the underlying circumstances change such that a previously recognised impairment subsequently reverses, the carrying amount of the asset, or CGU, is increased to the revised estimate of its recoverable amount. Such a reversal is limited to the carrying amount that would have been determined had no impairment been recognised for the asset, or CGU, in prior years. A reversal of an impairment is recognised in the combined and consolidated income statement.

Agriculture – owned forestry assets (note 14)

Owned forestry assets are biological assets measured at fair value less costs to sell, calculated by applying the expected selling price, less costs to harvest and deliver, to the estimated volume of timber on hand at each reporting date. The fair value less costs to sell is determined using a market approach. The estimated volume of timber on hand is determined based on the maturity profile of the area under afforestation, the species, the geographic location and other environmental considerations and excludes future growth. The product of these is then adjusted for risks associated with forestry assets.

Changes in fair value are recognised in the combined and consolidated income statement within other net operating expenses. At point of felling, the carrying value of forestry assets is transferred to inventory.

Directly attributable costs incurred during the year of biological growth and investments in standing timber are capitalised and presented within cash flows from investing activities.

Business combinations (note 24)

Identifiable net assets

At the date of acquisition, the identifiable assets, liabilities and contingent liabilities of an acquiree, are recorded at their fair values on acquisition date. Assets and liabilities which cannot be measured reliably are recorded at provisional fair values, which are finalised within 12 months of the acquisition date.

Cost of a business combination

The cost of a business combination includes the fair value of assets provided, liabilities incurred or assumed, and any equity instruments issued by a Group entity, in exchange for control of an acquiree. The directly attributable costs associated with a business combination are expensed as incurred.

Goodwill (note 12)

Any excess of the cost of the acquisition over the fair values of the identifiable net assets acquired is attributed to goodwill. Goodwill is subsequently measured at cost less any impairment.

Impairment of goodwill

Goodwill acquired through business combinations is allocated to the group of CGUs that is expected to benefit from the synergies of the combination and represents the lowest level at which goodwill is monitored for internal management purposes. The recoverable amount of the group of CGUs to which goodwill has been allocated is tested for impairment annually in the fourth quarter of each financial year and when events or changes in circumstances indicate that it may be impaired.

The recoverable amount of a group of CGUs is determined based on value-in-use calculations. Value-in-use calculations use cash flow projections based on financial budgets covering a three-year period that are based on the latest forecasts for revenue and costs as approved by the Boards. Projected revenues and costs are determined taking into consideration relevant industry forecasts for individual product lines, management's projections, historical performance and announced industry capacity changes.

Cash flow projections beyond three years are based on internal management projections. Growth rates in the countries in which the Group operates are determined with reference to published gross domestic product information, and for specific product lines are determined with reference to published industry studies.

The discount rate is determined as the Group's weighted average cost of capital using published market data and published borrowing rates and adjusted for country risk and tax.

Any impairment is recognised in the combined and consolidated income statement. Impairments of goodwill are not subsequently reversed.

32 Accounting policies

Current non-financial assets

Inventories (note 15)

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the first-in-first-out (FIFO) or weighted average cost basis, as appropriate. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is defined as the selling price less any estimated costs to sell.

Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs of disposal from the date on which these conditions are met.

Any resulting impairment is reported in the combined and consolidated income statement. On classification as held for sale, the assets are no longer depreciated or amortised. Comparative amounts are not adjusted.

Provisions (note 18)

Provisions are recognised when the Group has a present obligation as a result of a past event, which it is probable it will be required to settle. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value using country specific discount rates for periods matching the duration of the underlying liability where the effect of discounting is material.

Equity instruments

Treasury shares (note 21)

The purchase by any Group entity of either Mondi Limited's or Mondi plc's equity instruments results in the recognition of treasury shares. The consideration paid or payable is deducted from equity. Where treasury shares are subsequently sold, reissued or otherwise disposed of, any consideration received or receivable is included in equity attributable to the shareholders of either Mondi Limited or Mondi plc, net of any directly attributable incremental transaction costs and the related tax effects.

Dividend payments (note 9)

Dividend distributions to Mondi Limited's and Mondi plc's ordinary shareholders are recognised as a liability when the dividends are declared and approved. Final dividends are accrued when approved by both Mondi Limited's and Mondi plc's ordinary shareholders at their respective Annual General Meetings and interim dividends are recognised when approved by the Boards.

Share-based payments (note 22)

The Group operates a number of equity-settled, share-based compensation schemes. The fair value of the employee services received in exchange for the grant of share awards is recognised concurrently as an expense and an adjustment to equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share awards granted, as adjusted for market performance conditions and non-market vesting conditions. Vesting conditions are included in assumptions about the number of awards that are expected to vest. At each reporting date, the Group revises its estimates of the number of share awards that are expected to vest as a result of changes in non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the combined and consolidated income statement, with a corresponding adjustment to equity.

Financial instruments (note 28)

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

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 combined and consolidated income statement.

Cash and cash equivalents (note 25b)

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments of a maturity of three months or less from the date of acquisition that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. Bank overdrafts are shown within short-term borrowings in current liabilities in the combined and consolidated statement of financial position. Cash and cash equivalents presented in the combined and consolidated statement of cash flows and in net debt (note 25c) are net of overdrafts.

Trade receivables (note 16)

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.

Impairment of trade receivables (note 16)

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 (note 17)

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

Borrowings (note 20)

Interest-bearing loans and overdrafts are initially recognised at fair value, net of direct transaction costs. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the combined and consolidated income statement over the term of the borrowings using the effective interest rate method.

Borrowing costs (note 6)

Interest on borrowings directly relating to the acquisition, construction or production of qualifying assets is capitalised until such time as the assets are substantially ready for their intended use or sale. Where funds have been borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the construction period.

All other borrowing costs are recognised in the combined and consolidated income statement in the period in which they are incurred.

Derivative financial instruments and hedge accounting (note 28d)

The Group enters into forward, option and swap contracts in order to hedge its exposure to foreign exchange, interest rate and commodity price risks.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and subsequently measured at fair value in the combined and consolidated statement of financial position within 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 combined and consolidated income statement and are classified within operating profit or net finance costs, depending on the type of risk to which the derivative relates.

Cash flow hedges

The effective portion of changes in the fair value of derivative financial instruments that are designated as hedges of future cash flows are recognised directly in other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in the combined and consolidated income statement. If the cash flow hedge of a forecast transaction results in the recognition of a non-financial asset then, at the time the asset is recognised, the associated gains or losses on the derivative that had previously been recognised in the Group's cash flow hedge reserve in equity are included in the initial measurement of the asset. For hedges that do not result in the recognition of a non-financial asset, amounts deferred in the Group's cash flow hedge reserve in equity are recognised in the combined and consolidated income statement in the same period in which the hedged item affects profit and loss on a proportionate basis.

Hedge accounting is discontinued when the hedge relationship is revoked or the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity remains in equity and is recognised in the combined and consolidated income statement when the forecast transaction is ultimately recognised. If a hedge transaction is no longer expected to occur, the net cumulative gain or loss deferred in equity is included immediately in the combined and consolidated income statement.

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. Refer to the accounting policies of the Mondi Group Integrated report and financial statements 2017 for details of the previous policy.

32 Accounting policies

Retirement benefits (note 23)

The Group operates defined benefit pension plans and defined contribution pension plans for the majority of its employees as well as post-retirement medical plans.

Defined contribution plans

For defined contribution plans, the amount charged to the combined and consolidated income statement is the contributions paid or payable during the reporting period.

Defined benefit pension plans and post-retirement medical plans

For defined benefit pension and post-retirement medical plans, actuarial valuations are performed at each financial year end using the projected unit credit method. The average discount rate for the plans' liabilities is based on investment grade rated corporate bonds or similar government bonds of a suitable duration and currency. Plans' assets are measured using market values at the end of the reporting period.

The net retirement benefits liability recognised in the combined and consolidated statement of financial position represents the present value of the defined benefit liability as reduced by the fair value of any plan assets.

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

Remeasurements comprising actuarial gains and losses and the return on plan assets (after recognising the net finance charge) are charged or credited to equity in other comprehensive income, net of deferred tax, in the reporting period in which they occur. Remeasurements recorded in other comprehensive income are not recycled to the combined and consolidated income statement, but those amounts recognised in other comprehensive income may be transferred within equity.

Alternative Performance Measures

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

The most significant APMs are:

Net debt (note 25c)

A measure comprising short, medium, and long-term interest-bearing borrowings and the fair value of debt-related derivatives less cash and cash equivalents and current financial asset investments. Net debt provides a measure of the Group's net indebtedness or overall leverage.

Return on capital employed (ROCE) (notes 2 and 19)

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 3)

Those financial items which the Group considers should be separately disclosed on the face of the combined and consolidated income statement to assist in understanding the underlying financial performance achieved by the Group. Such items are generally material by nature and exceed €10 million and the Group, therefore, excludes these items when reporting underlying earnings and related measures in order to provide a measure of the underlying performance of the Group on a basis that is comparable from year to year. 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 (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 (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 (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 25d)

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 2)

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 (note 19)

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.

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 7a)

Underlying tax charge expressed as a percentage of underlying profit before tax. A measure of the Group's tax charge relative to its profit before tax expressed on an underlying basis.

Working capital as a percentage of revenue

Working capital, defined as the sum of trade and other receivables and inventories less trade and other payables, expressed as a percentage of trailing 12-month Group revenue. A measure of the Group's effective use of working capital relative to revenue.

Capex and investment in intangible assets as a percentage of depreciation, amortisation and impairments

Capex and investment in intangible assets divided by depreciation, amortisation and non-special impairments provides a measure of reinvestment into the Group's asset base relative to depreciation, amortisation and impairments.

32 Accounting policies

New accounting policies, early adoption and future requirements

Amendments to published Standards effective during 2018

The following amendments to Standards have been adopted for the financial year beginning on 1 January 2018, and their impact on the Group's results are detailed in note 33:

→ IFRS 9 – Financial Instruments

→ IFRS 15 – Revenue from Contracts with Customers

→ IFRS 16 – Leases

The following amendments to Standards and a new Interpretation have been adopted for the financial year beginning on 1 January 2018, and have had no significant impact on the Group's results:

→ Annual improvements 2014–2016 cycle

→ Amendments to IAS 40 – Investment Property

→ Amendments to IFRS 2 – Share Based Payments

→ Amendments to IFRS 4 – Insurance Contracts

→ IFRIC 22 – Foreign Currency Transactions and Advance Consideration

New Standards and amendments to published Standards that are not yet effective

The following amendments to Standards and a new Interpretation will be effective for the financial year beginning on 1 January 2019 and, while the Group's assessment of the impact is ongoing, are not expected to have a significant impact on the Group's results:

→ Annual improvements 2015–2017 cycle

→ Amendments to IAS 19 – Employee Benefits

→ Amendments to IAS 28 – Investments in Associates and Joint Ventures

→ Amendments to IFRS 9 – Financial Instruments

→ IFRIC 23 – Uncertainty over Income Tax Treatments

33 Restatement of comparative information

The following tables summarise the material impacts resulting from the changes in accounting policies on the Group's combined and consolidated income statement, combined and consolidated statement of comprehensive income, combined and consolidated statement of financial position and 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 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.

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

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 combined and consolidated income statement	(75)	2	(73)
Items that will not subsequently be reclassified to the 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

33 Restatement of comparative information

Combined and consolidated statement of financial position

	2017			At 1 January 2017		
€ million	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**

Combined and consolidated statement of cash flows

	2017		
€ million	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)**

Mondi Limited parent company statement of financial position[1]
as at 31 December 2018

ZAR million	Notes	2018	Restated 2017
Property, plant and equipment		6,125	5,770
Forestry assets		4,533	3,863
Investment in and loans to subsidiaries	2	92	52
Total non-current assets		**10,750**	**9,685**
Inventories		1,085	1,039
Trade and other receivables		1,912	1,781
Investment in and loans to subsidiaries	2	—	96
Current tax asset		19	—
Financial asset investments		124	165
Financial instruments		—	45
Cash and cash equivalents		25	4
Total current assets		**3,165**	**3,130**
Total assets		**13,915**	**12,815**
Short-term borrowings		(555)	(1,997)
Trade and other payables		(1,391)	(1,102)
Current tax liability		—	(86)
Provisions		(180)	(65)
Financial instruments		(4)	—
Total current liabilities		**(2,130)**	**(3,250)**
Medium and long-term borrowings		(258)	(290)
Retirement benefits liability		(742)	(773)
Deferred tax liabilities		(1,682)	(1,626)
Provisions		(79)	(2)
Total non-current liabilities		**(2,761)**	**(2,691)**
Total liabilities		**(4,891)**	**(5,941)**
Net assets		**9,024**	**6,874**
Equity			
Stated capital	3	4,188	4,188
Retained earnings and other reserves		4,836	2,686
Total equity		**9,024**	**6,874**

Note:

1 The above statement of financial position is an extract of the audited Mondi Limited parent company financial statements for the year ended 31 December 2018. The full set of audited financial statements for Mondi Limited parent company is available on the Group's website

The statement of financial position and statement of changes in equity of Mondi Limited and related notes were approved by the board and authorised for issue on 27 February 2019 and were signed on its behalf by:

Peter Oswald
Director

Andrew King
Director

Mondi Limited company registration number: 1967/013038/06

Mondi Limited parent company statement of changes in equity[1]
for the year ended 31 December 2018

ZAR million	Stated capital	Retained earnings	Other reserves	Total equity
At 1 January 2017, as previously reported	4,188	2,825	62	**7,075**
Impact of change in accounting policy[2]	—	(46)	—	**(46)**
Restated balance at 1 January 2017	4,188	2,779	62	**7,029**
Total comprehensive income for the year (restated)	—	939	44	**983**
Dividends	—	(973)	—	**(973)**
Shares vested from Mondi Incentive Schemes Trust	—	(30)	—	**(30)**
Mondi share schemes' charge	—	—	34	**34**
Issue of shares under employee share schemes	—	35	(36)	**(1)**
Acquisition of business	—	(168)	—	**(168)**
Restated balance at 31 December 2017	**4,188**	**2,582**	**104**	**6,874**
Impact of change in accounting policy[3]	—	41	(41)	**—**
Restated balance at 1 January 2018	**4,188**	**2,623**	**63**	**6,874**
Total comprehensive income for the year	—	1,021	26	**1,047**
Dividends	—	(2,862)	—	**(2,862)**
Shares vested from Mondi Incentive Schemes Trust	—	(44)	—	**(44)**
Mondi share schemes' charge	—	—	12	**12**
Issue of shares under employee share schemes	—	18	(21)	**(3)**
Transfer from Mondi plc[4]	—	4,000	—	**4,000**
At 31 December 2018	**4,188**	**4,756**	**80**	**9,024**

Notes:

1 The above statement of changes in equity is an extract of the audited Mondi Limited parent company financial statements for the year ended 31 December 2018. The full set of audited financial statements for Mondi Limited parent company is available on the Group's website

2 The impact of change in accounting policy is due to the adoption of the new 'Leases' accounting standard, IFRS 16

3 IFRS 9, 'Financial Instruments', was adopted without restating comparative information. The reclassification arising from the change of classification categories 'available-for-sale' to 'at fair value through profit or loss' is recognised in the opening balance sheet on 1 January 2018

4 This represents a corporate cash transfer from Mondi plc to Mondi Limited

Extract of the notes to the audited Mondi Limited parent company financial statements
for the year ended 31 December 2018

1 Accounting policies

Basis of preparation

The statement of financial position and selected notes of Mondi Limited have been prepared in accordance with applicable International Financial Reporting Standards (IFRS) under the historical cost convention.

Principal accounting policies

The principal accounting policies applied by Mondi Limited are the same as those presented in notes 1 and 32 to the combined and consolidated Group financial statements, to the extent that the Group's transactions and balances are applicable to the company financial statements. Principally, the accounting policies which are not directly relevant to Mondi Limited parent company financial statements are those relating to consolidation accounting and the recognition and subsequent measurement of goodwill.

The accounting policy, which is additional to those applied by the Group, is stated as follows:

Investments

Investments in subsidiaries and associates are reflected at cost less amounts written off and provisions for any impairments. Any potential impairment is determined on a basis consistent with the accounting policy on the impairment of goodwill.

Accounting estimates and critical judgements

The accounting estimates and critical judgements applied by the key management of Mondi Limited are discussed in the Group's combined and consolidated financial statements (see note 1). In addition, the carrying value of investments is considered a critical judgement.

2 Investment in and loans to subsidiaries

ZAR million	2018	2017
Unlisted		
Shares at cost	60	62
Loans advanced	42	96
Impairment	(10)	(10)
Total investments in subsidiaries	**92**	**148**
Repayable within one year classified as a current asset	—	(96)
Total long-term investments in subsidiaries	**92**	**52**

3 Stated capital

Full disclosure of the stated capital of Mondi Limited is set out in note 21 of the Group's combined and consolidated financial statements.

4 Contingent liabilities

There were no contingent liabilities to be disclosed and no acquired contingent liabilities to be recorded in Mondi Limited's statement of financial position for either year presented. Mondi Limited has issued financial guarantees to suppliers for services rendered in the ordinary course of business of ZAR73 million (2017: ZAR72 million). The likelihood of these financial guarantees being called is considered to be remote and therefore the estimated financial effect of issuance is ZARnil (2017: ZARnil).

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

Extract of the notes to the audited Mondi Limited parent company financial statements for the year ended 31 December 2018

5 Events occurring after 31 December 2018

With the exception of the proposed final ordinary dividend for 2018, included in note 9 of the Group's combined and consolidated financial statements, there have been no material reportable events since 31 December 2018.

6 List of subsidiaries and associated undertakings and other significant holdings as at 31 December 2018

All shares are held directly except where noted. All shares held are ordinary shares.

Company	Registered office	% of shares held by Group
Côte d'Ivoire		
La Sacherie Moderne SA[1]	Zone Industrielle de Yopougon 01, Abidjan, BP 5676	50.0
South Africa		
Arctic Sun Trading 17 Proprietary Limited[1]	Unit 4, 57 St. Andrews Drive, Durban North, 4051	50.0
Bongani Development Close Corporation	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	100.0
Golden Pond Trading 250 Proprietary Limited[1]	3 Joyner Road, Prospecton, 4110	49.0
Khulanathi Forestry Proprietary Limited[1]	Lakeside Terrace, 3rd Floor, ABSA Building, Richards Bay, 3900	30.0
Mondi Africa Holdings Proprietary Limited	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	100.0
Mondi Forests Partners Programme Proprietary Limited[1]	380 Old Howick Road, Mondi House, Hilton, 3245	100.0
Mondi Newsprint Proprietary Limited	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	100.0
Mondi Sacherie Moderne Holdings Proprietary Limited	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	100.0
Mondi Timber (Wood Products) Proprietary Limited	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	100.0
Mondi Zimele Job Funds Proprietary Limited[1]	380 Old Howick Road, Mondi House, Hilton, 3245	100.0
Mondi Zimele Proprietary Limited	380 Old Howick Road, Mondi House, Hilton, 3245	100.0
MZ Business Services Proprietary Limited[1]	128 Lansdowne Road, Jacobs, 4052	100.0
MZ Technical Services Proprietary Limited[1]	128 Lansdowne Road, Jacobs, 4052	56.0
Professional Starch Proprietary Limited[1]	380 Old Howick Road, Mondi House, Hilton, 3245	100.0
Siyaqhubeka Forests Proprietary Limited[1]	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	51.0
Zimshelf Eight Investment Holdings Proprietary Limited	4th Floor, No 3 Melrose Boulevard, Melrose Arch, 2196	100.0

Note:

1 These companies are held indirectly

Mondi plc parent company balance sheet
as at 31 December 2018

€ million	Notes	2018	2017
Fixed asset investments	5	2,938	2,938
Debtors: due within one year		3	16
Cash and cash equivalents	6	—	132
Total assets		**2,941**	**3,086**
Total creditors: due within one year	7	(451)	(11)
Total provisions: due after more than one year		(2)	(1)
Total liabilities		**(453)**	**(12)**
Net assets		**2,488**	**3,074**
Capital and reserves			
Share capital	8	103	103
Profit or loss account		2,367	2,952
Share-based payments reserve		18	19
Total shareholders' funds		**2,488**	**3,074**

Mondi plc reported a profit of €292 million (2017: profit of €56 million) for the year ended 31 December 2018. The balance sheet and statement of changes in equity of Mondi plc and related notes were approved by the board and authorised for issue on 27 February 2019 and were signed on its behalf by:

Peter Oswald
Director

Andrew King
Director

Mondi plc company registered number: 6209386

Mondi plc parent company statement of changes in equity
for the year ended 31 December 2018

€ million	Share capital	Profit or loss account	Share-based payments reserve	Total equity
At 1 January 2017	103	3,116	18	**3,237**
Total comprehensive income for the year	—	56	—	**56**
Dividends	—	(208)	—	**(208)**
Issue of shares under employee share schemes	—	12	(12)	**—**
Purchases of treasury shares	—	(24)	—	**(24)**
Mondi share schemes' charge	—	—	13	**13**
At 31 December 2017	**103**	**2,952**	**19**	**3,074**
Total comprehensive income for the year	—	292	—	**292**
Dividends	—	(603)	—	**(603)**
Issue of shares under employee share schemes	—	11	(11)	**—**
Purchases of treasury shares	—	(16)	—	**(16)**
Mondi share schemes' charge	—	—	10	**10**
Transfer to Mondi Limited[1]	—	(269)	—	**(269)**
At 31 December 2018	**103**	**2,367**	**18**	**2,488**

Note:
1 This represents a corporate cash transfer from Mondi plc to Mondi Limited

Notes to the Mondi plc parent company financial statements
for the year ended 31 December 2018

1 Accounting policies

Basis of preparation

Mondi plc meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, the financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) as issued by the Financial Reporting Council.

As permitted by FRS 101, Mondi plc has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain items, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

Where required, equivalent disclosures are given in the Group accounts of Mondi plc, which are publicly available. The results, assets and liabilities of Mondi plc are included in the publicly available combined and consolidated Group financial statements.

Mondi plc has made use of the exemption from presenting a profit and loss account, in accordance with Section 408 of the UK Companies Act 2006.

The financial statements have been prepared on the going concern basis. This is discussed in the Strategic report within 'Principal risks' under the heading 'Going concern'.

The financial statements are prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are described below. They have all been applied consistently throughout the year and the preceding year.

Principal accounting policies

The principal accounting policies applied by Mondi plc are the same as those presented in notes 1 and 32 to the combined and consolidated Group financial statements, to the extent that the Group's transactions and balances are applicable to the company financial statements. Principally, the accounting policies which are not directly relevant to the Mondi plc parent company financial statements are those relating to consolidation accounting and the recognition and subsequent measurement of goodwill.

The accounting policy, which is additional to those applied by the Group, is stated as follows:

Investments

Fixed asset investments are stated at cost, less, where appropriate, provisions for impairment. Any potential impairment is determined on a basis consistent with the Group accounting policy on the impairment of goodwill.

Critical accounting judgements and key estimates

The preparation of the financial statements of Mondi plc includes the use of estimates and assumptions. Although the estimates used are based on management's best information about current circumstances and future events and actions, actual results may differ from those estimates.

The most significant estimates and judgements are:

Key estimates

→ Valuation of fixed asset investments – refer to note 5

Critical accounting judgements and other accounting estimates

→ Taxation – refer to note 4

2 Auditor's remuneration

Disclosure of the audit fees payable to the auditor for the audit of Mondi plc's financial statements is set out in note 4 of the Group's combined and consolidated financial statements.

3 Share-based payments

The share schemes and the underlying assumptions used to estimate the associated fair value charge are set out in note 22 of the Group's combined and consolidated financial statements.

4 Deferred tax

A deferred tax asset of €2 million (2017: €3 million) has not been recognised in relation to temporary differences regarding the share-based payment arrangements. A deferred tax asset has not been recognised in relation to tax losses brought forward of €25 million (2017: €26 million) due to the low probability of future profit streams or gains against which these could be utilised.

5 Fixed asset investments

€ million	2018	2017
Unlisted		
Shares at cost	2,938	2,938

The investment is in Mondi Investments Limited (incorporated in the UK), a wholly-owned subsidiary which acts as an investment holding company.

6 Cash and cash equivalents

Amounts held on deposit in a cash pool facility with a subsidiary of €nil (2017: €132 million) are included within cash equivalents.

7 Total creditors: due within one year

€439 million (2017: €nil) is owed in relation to a cash pool facility with a subsidiary.

8 Share capital

Full disclosure of the share capital of Mondi plc is set out in note 21 of the Group's combined and consolidated financial statements.

9 Contingent liabilities

Mondi plc has issued financial guarantees in respect of the UK pension schemes of its subsidiaries, obligations incurred in the ordinary course of business and the borrowings of other Group undertakings. The likelihood of these financial guarantees being called is considered to be remote and, therefore, the estimated financial effect of issuance is €nil (2017: €nil). The fair value of these issued financial guarantees is deemed to be immaterial.

€ million	2018	2017
Pension scheme guarantees	79	79
Guarantees of obligations of subsidiaries of Mondi plc		
– Incurred in the ordinary course of business	29	35
– In favour of banks and bondholders	2,826	2,252
At 31 December	**2,934**	**2,366**

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

10 Events occurring after 31 December 2018

With the exception of the proposed final ordinary dividend for 2018, included in note 9 of the Group's combined and consolidated financial statements, there have been no material reportable events since 31 December 2018.

11 List of subsidiaries and associated undertakings and other significant holdings as at 31 December 2018

All shares are held indirectly through a subsidiary or associated undertaking except where noted. Except where stated, the shares held are ordinary shares.

Company	Registered office	Principal activities	% of shares held by Group
Austria			
Future Lignin & Pulp Processing Research Projekt GmbH	Murmühlweg 2, 8112 Gratwein	Service, Kraft paper	25.00
Mondi AG	Marxergasse 4A, 1030 Vienna	Holding, Corporate	100.00
Mondi Bags Austria GmbH	Bahnhofstrasse 3, 8740 Zeltweg	Production, Industrial bags	100.00
Mondi Coating Zeltweg GmbH	Bahnhofstrasse 3, 8740 Zeltweg	Production, Extrusion coatings	100.00
Mondi Coatings GmbH	Marxergasse 4A, 1030 Vienna	Holding, Extrusion coatings	100.00
Mondi Consumer Packaging GmbH	Marxergasse 4A, 1030 Vienna	Holding, Consumer packaging	100.00
Mondi Corrugated Holding Österreich GmbH	Marxergasse 4A, 1030 Vienna	Holding, Corrugated packaging	100.00
Mondi Corrugated Services GmbH	Marxergasse 4A, 1030 Vienna	Service, Corrugated packaging	100.00
Mondi Frantschach GmbH	Frantschach 5, 9413 St. Gertraud	Production, Kraft paper	100.00
Mondi Grünburg GmbH	Steyrtalstrasse 5, 4594 Grünburg	Production, Corrugated packaging	100.00
Mondi Holdings Austria GmbH	Marxergasse 4A, 1030 Vienna	Holding, Corporate	100.00
Mondi Industrial Bags GmbH	Marxergasse 4A, 1030 Vienna	Holding, Industrial bags	100.00
Mondi Korneuburg GmbH	Stockerauer Strasse 110, 2100 Korneuburg	Production, Consumer packaging	100.00
Mondi Neusiedler GmbH	Theresienthalstrasse 50, 3363 Ulmerfeld-Hausmening	Production, Uncoated fine paper	51.00
Mondi Oman Holding GmbH	Marxergasse 4A, 1030 Vienna	Holding, Industrial bags	70.00
Mondi Paper Sales GmbH	Marxergasse 4A, 1030 Vienna	Distribution, Containerboard, Kraft paper, Uncoated fine paper	100.00
Mondi Release Liner Austria GmbH	Waidhofnerstrasse 11, 3331 Hilm	Production, Consumer packaging	100.00
Mondi Styria GmbH	Bahnhofstrasse 3, 8740 Zeltweg	Production, Consumer packaging	100.00
Mondi Uncoated Fine & Kraft Paper GmbH	Marxergasse 4A, 1030 Vienna	Holding, Containerboard, Kraft paper, Uncoated fine paper	100.00
Papierholz Austria GmbH	Frantschach 5, 9413 St. Gertraud	Service, Kraft paper	25.00
Sulbit Handels GmbH	Marxergasse 4A, 1030 Vienna	Service, Industrial bags	100.00
Ybbstaler Zellstoff GmbH	Theresienthalstrasse 50, 3363 Ulmerfeld-Hausmening	Production, Uncoated fine paper	51.00
Belgium			
Mondi Belcoat N.V.	Adolf Stocletlaan 11, 2570 Duffel	Production, Extrusion coatings	100.00
Mondi Poperinge N.V.	Nijverheidslaan 11, 8970 Poperinge	Production, Industrial bags	100.00

Company	Registered office	Principal activities	% of shares held by Group
Bulgaria			
Mondi Stambolijski E.A.D	1 Zavodska Street, Stambolijski 4210, Plovdiv Region	Production, Kraft paper	100.00
China			
Mondi (China) Film Technology Co. Ltd.	No 29 Xinggang Road, Taicang Port Development Zone	Production, Consumer packaging	100.00
Mondi Trading (Beijing) Co. Ltd.	0912, Air China Plaza, Building 1, No.36 Xiaoyun Road, Chaoyang, Beijing	In liquidation, Consumer packaging	100.00
Croatia			
Mondi Valpovo d.o.o.	Oreškovićeva 6c, 10010 Zagreb (Grad Zagreb)	In liquidation, Industrial bags	100.00
Czech Republic			
EURO WASTE, a.s	Litoměřická 272, 41108 Štětí	Service, Containerboard, Kraft paper	33.33
Labe Wood s.r.o.	Litoměřická 272, 41108 Štětí	Service, Kraft paper	24.99
Lignocel s.r.o	Poupětova 3, 17000 Prague 7	In liquidation, Kraft paper	20.00
Mondi Bags Štětí a.s.	Litoměřická 272, 41108 Štětí	Production, Industrial bags	100.00
Mondi Bupak s.r.o.	Papírenská 41, 37052 České Budějovice	Production, Corrugated packaging	100.00
Mondi Coating Štětí a.s.	Litoměřická 272, 41108 Štětí	Production, Extrusion coatings	100.00
Mondi Štětí a.s.	Litoměřická 272, 41108 Štětí	Production, Containerboard, Kraft paper	100.00
Mondi Štětí White Paper s.r.o	Litoměřická 272, 41108 Štětí	Production, Kraft paper	100.00
Roto a.s.	Litoměřická 272, 41108 Štětí	Dormant, Kraft paper	100.00
Wood & Paper a.s.	Hlina 57/18, 66491 Brno	Service, Kraft paper	46.50
Egypt			
National Company for Paper Products and Import & Export (S.A.E.)[1]	Plots No. 6 and No. 7 in the Northern Expansion Area, Industrial Zone, 6th of October, Giza	Production, Industrial bags	100.00
Suez Bags Company (S.A.E.)[2]	30 Maadi Road, Katameya, Kilo 138, Cairo	Production, Industrial bags	96.00
Finland			
Harvestia Oy[1]	Selluntie 142, 70420 Kuopio	Service, Containerboard	97.40
Mondi Finland Services Oy	Peltotie 20, 28400 Ulvila	Service, Kraft paper	100.00
Mondi Powerflute Oy[1]	Selluntie 142, 70420 Kuopio	Production, Containerboard	100.00
Powerflute Group Holdings Oy[1]	Sorsasalo, 70100 Kuopio	Holding, Containerboard	100.00

Company	Registered office	Principal activities	% of shares held by Group
France			
Mondi Gournay Sarl	5, rue Vernet, 75008, Paris	Production, Extrusion coatings	100.00
Mondi Lembacel SAS	11 Rue de Reims, 51490 Bétheniville	Production, Industrial bags	100.00
Mondi Paper Sales France Sarl	5, rue Vernet, 75008 Paris	Distribution, Containerboard, Kraft paper, Uncoated fine paper	100.00
Germany			
Mondi Ascania GmbH	Daimlerstrasse 8, 06449 Aschersleben	Production, Consumer packaging	100.00
Mondi Bad Rappenau GmbH	Wilhelm-Hauff-Strasse 41, 74906 Bad Rappenau	Production, Corrugated packaging	100.00
Mondi Consumer Packaging International GmbH	Jöbkesweg 11, 48599 Gronau	Holding, Consumer packaging	100.00
Mondi Eschenbach GmbH	Am Stadtwald 14, 92676 Eschenbach	Production, Corrugated packaging	100.00
Mondi Gronau GmbH	Jöbkesweg 11, 48599 Gronau	Production, Consumer packaging	100.00
Mondi Halle GmbH	Wielandstrasse 2, 33790 Halle	Production, Consumer packaging	100.00
Mondi Hammelburg GmbH	Thüringenstrasse 1–3, 97762 Hammelburg	Production, Industrial bags	100.00
Mondi Holding Deutschland GmbH	Jöbkesweg 11, 48599 Gronau	Holding, Corporate	100.00
Mondi Inncoat GmbH	Angererstrasse 25, 83064 Raubling	Production, Consumer packaging	100.00
Mondi Jülich GmbH	Rathausstrasse 29, 52428 Jülich	Production, Consumer packaging	100.00
Mondi Lindlar GmbH	Wielandstrasse 2, 33790 Halle	Dormant, Consumer packaging	100.00
Mondi Paper Sales Deutschland GmbH	Oberbaumbrücke 1, 20457 Hamburg	Distribution, Containerboard, Kraft paper, Uncoated fine paper	100.00
Mondi Sendenhorst GmbH	Herkulesweg 1, 48324 Sendenhorst	Production, Industrial bags	100.00
Mondi Trebsen GmbH	Erich-Hausmann-Strasse 1, 04687 Trebsen	Production, Industrial bags	100.00
Mondi Wellpappe Ansbach GmbH	Robert-Bosch-Strasse 3, 91522 Ansbach	Production, Corrugated packaging	100.00
wood2M GmbH	Hauptstrasse 66, 07366 Blankenstein	Service, Containerboard, Kraft paper, Uncoated fine paper	50.00
Greece			
Mondi Thessaloniki A.E.	Sindos Industrial Zone – Block 18, 57022 Thessaloniki	Distribution, Industrial bags	100.00
Hungary			
Mondi Bags Hungária Kft.	Tünde u. 2, 4400 Nyíregyháza	Production, Industrial bags	100.00
Mondi Békéscsaba Kft.	Tevan Andor u. 2, 5600 Békéscsaba	Production, Consumer packaging	100.00
Mondi Szada Kft.	Vasút u. 13, 2111 Szada	Production, Consumer packaging	100.00

Company	Registered office	Principal activities	% of shares held by Group
Iraq			
Mondi Kaso Iraq Industrial Bags Ltd.	Takya, Bazian, Sulaimaniyah	Production, Industrial bags	34.55
Italy			
Mondi Gradisac S.r.l.	Via dell'Industria 11, 34072 Gradisca d'Isonzo, Gorizia	Production, Industrial bags	100.00
Mondi IPI S.r.l.	Via Zanchetta 27, 35010 San Pietro in Gu, Padua	Production, Industrial bags	100.00
Mondi Italia S.r.l.	Via Balilla 32, 24058 Romano di Lombardia, Bergamo	Production, Industrial bags	100.00
Mondi Paper Sales Italia S.R.L.	Via Fara Gustavo 35, 20124 Milano	Distribution, Containerboard, Kraft paper, Uncoated fine paper	100.00
Mondi S.r.l.	Via Zanchetta 27, 35010 San Pietro in Gu, Padua	In liquidation, Corrugated packaging	100.00
Mondi San Pietro in Gu S.r.l.	Via Mazzini 21, 35010 San Pietro in Gu, Padua	Production, Industrial bags	100.00
Mondi Silicart S.r.l.	Via Zanchetta 27, 35010, San Pietro in Gu, Padua	Dormant, Consumer packaging	100.00
Mondi Tolentino S.r.l.	Via Giovanni Falcone 1, 62029 Tolentino, Macerata	Production, Industrial bags	100.00
NATRO-TECH S.r.l.	Via Balilla 32, 24058 Romano di Lombardia, Bergamo	Service, Industrial bags	100.00
Powerflute Italia S.r.l.[1]	Via Giacomo Matteotti 2, 21013 Gallarate	Distribution, Containerboard	100.00
Japan			
Mondi Tokyo KK	7th floor 14–5, Akasaka 2-chrome, Minato-ku, Tokyo	Service, Consumer packaging	100.00
Jordan			
Jordan Paper Sacks Co. Ltd.	Al Salt, Industrial Area, P.O. Box 119, 19374, Balqa	Production, Industrial bags	67.74
Republic of Korea			
Krauzen Co., Ltd.	1420, Keumkang-Penterium IT tower, 282 Hakeui-ro, Dongang-gu, Anyang-si, Gyunggi-do	Distribution, Consumer packaging	100.00
Mondi KSP Co., Ltd.	48–29, 439 Hongandaero, Dongang-gu, Anyang-si, Gyunggi-do	Production, Consumer packaging	95.00
Lebanon			
Mondi Lebanon SAL	7th Floor, Bloc C, Kassis Building, Antelias Highway, Antelias	Production, Industrial bags	66.00
Luxembourg			
Mondi Packaging S.à r.l.	1, rue Hildegard von Bingen, 1282	Holding, Corporate	100.00
Mondi S.à r.l.	1, rue Hildegard von Bingen, 1282	Holding, Corporate	100.00
Mondi Services S.à r.l.	1, rue Hildegard von Bingen, 1282	Service, Corporate	100.00
Malaysia			
Mondi Kuala Lumpur Sdn. Bhd.	Lot Nos.PT 5034 & 5036, Jalan Teluk Datuk 28/40, 40000 Shah Alam, Selangor	Production, Industrial bags	62.00

11 List of subsidiaries and associated undertakings and other significant holdings as at 31 December 2018

Company	Registered office	Principal activities	% of shares held by Group
Mexico			
Caja de Ahorro de Personal de Mondi Mexico Servicios A.C.	Av. San Nicolás No. 249, Colonia Cuauhtémoc, San Nicolás de los Garza, Nuevo Léon, 66450	Service, Industrial bags	100.00
Mondi Mexico S. de R.L. de C.V.	Av. San Nicolás No. 249, Colonia Cuauhtémoc, San Nicolás de los Garza, Nuevo Léon, 66450	Production, Industrial bags	100.00
Mondi Mexico Servicios S. de R.L. de C.V.	Av. San Nicolás No. 249, Colonia Cuauhtémoc, San Nicolás de los Garza, Nuevo Léon, 66450	Service, Industrial bags	100.00
Morocco			
L'Ensachage Moderne Sarl	Rue Boukraa N1, Quartier Industriel Dokkarat, Fes	Dormant, Industrial bags	80.64
Pap-Sac Maghreb SA	Km 16, Route d´El Jadida, Casablanca	Production, Industrial bags	80.64
Netherlands			
Mondi Coating B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Extrusion coatings	100.00
Mondi Consumer Bags & Films B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Consumer packaging	100.00
Mondi Consumer Bags & Films Benelux B.V.	Fort Willemweg 1, 6219 PA Maastricht	Distribution, Consumer packaging	100.00
Mondi Corrugated B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Corrugated packaging	100.00
Mondi Corrugated Poland B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Corrugated packaging	100.00
Mondi Heerlen B.V.	Imstenraderweg 15, 6422 PM Heerlen	Production, Consumer packaging	100.00
Mondi Industrial Bags B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Industrial bags	100.00
Mondi International Holdings B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Corporate	100.00
Mondi Maastricht N.V.	Fort Willemweg 1, 6219 PA Maastricht	Production, Industrial bags	100.00
Mondi MENA B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Industrial bags	70.00
Mondi Packaging Paper B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Kraft paper	100.00
Mondi Paper Sales Netherlands B.V.	Bruynvisweg 14, 1531 AZ Wormer	Distribution, Containerboard, Kraft paper, Uncoated fine paper	100.00
Mondi SCP Holdings B.V.	Fort Willemweg 1, 6219 PA Maastricht	Holding, Uncoated fine paper	100.00
Norway			
Mondi Moss AS	Rådmann Sirasvei 1, 1712 Grålum	Distribution, Industrial bags	100.00
Oman			
Mondi Oman LLC	P.O. Box 20, 124, Muscat Governorate, As Seeb, Al Rusayl	Production, Industrial bags	49.00

Company	Registered office	Principal activities	% of shares held by Group
Poland			
Agromasa Sp. z o.o.	ul. Bydgoska 1, 86–100 Świecie	Service, Containerboard	100.00
Fredonia Investments Sp. z o.o.	ul. Bukowa 21, 87–148 Łysomice	Service, Containerboard	100.00
Mondi Bags Mielec Sp. z o.o.	ul. Wojska Polskiego 12, 39–300 Mielec	Production, Industrial bags	100.00
Mondi Bags Świecie Sp. z o.o.	ul. Bydgoska 12, 86–100 Świecie	Production, Industrial bags	100.00
Mondi BZWP Sp. z o.o.	ul. Zamenhofa 36, 57–500 Bystrzyca Kłodzka	Production, Corrugated packaging	100.00
Mondi Corrugated Świecie Sp. z o.o.	ul. Bydgoska 1, 86–100 Świecie	Production, Corrugated packaging	100.00
Mondi Dorohusk Sp. z o.o.	Brzezno 1, 22–174 Brzezno	Production, Corrugated packaging	100.00
Mondi Kutno Sp. z o.o.	ul. Żołnierska 1, 99–300 Kutno	In liquidation, Consumer packaging	100.00
Mondi Poznań Sp. z o.o.	ul. Wyzwolenia 34/36, 62–070 Dopiewo	Production, Consumer packaging	100.00
Mondi Recykling Polska Sp. z o.o.	ul. Bydgoska 1, 86–100 Świecie	Service, Containerboard	100.00
Mondi Simet Sp. z o.o.	Grabonóg 77, 63–820 Piaski	Production, Corrugated packaging	100.00
Mondi Solec Sp. z o.o.	Solec, 05–532 Baniocha	Production, Consumer packaging	100.00
Mondi Świecie S.A.	ul. Bydgoska 1, 86–100 Świecie	Production, Containerboard	100.00
Mondi Szczecin Sp. z o.o.	ul. Sloneczna 20, 72–123 Kliniska Wielkie	Production, Corrugated packaging	100.00
Mondi Warszawa Sp. z o.o.	ul. Tarczyńska 98, 96–320 Mszczonów	Production, Corrugated packaging	100.00
Mondi Wierzbica Sp. z o.o.	Kolonia Rzecków 76, 26–680 Wierzbica	Production, Industrial bags	100.00
Świecie Rail Sp. z o.o.	ul. Bydgoska 1, 86–100 Świecie	Service, Containerboard	100.00
Świecie Recykling Sp. z o.o.	ul. Bydgoska 1/417, 86–100 Świecie	Service, Containerboard	100.00
Romania			
Mondi Bucharest S.R.L.	Tudor Vladimirescu Street 1A, Ilfov, 75100 Otopeni	Distribution, Industrial bags	100.00
Russia			
LCC Mondi Aramil	25 Klubnaya Street, 62400 Aramil, Sverdlovskii Region	Production, Consumer packaging	100.00
LLC Mondi Lebedyan	Sverdlova 67, 399610 Lebedyan, Lipetsk Region	Production, Corrugated packaging	100.00
LLC Mondi Pereslavl	Mendeleeva sq. 2, Building 55, 152025 Pereslavl-Zalesski	Production, Consumer packaging	100.00
LLC Mondi Syktyvkar Energy Company[1]	pr. Bumazhnikov 2, 167026 Syktyvkar, Republic of Komi	Service, Uncoated fine paper	100.00
OJSC Mondi Syktyvkar[3]	pr. Bumazhnikov 2, 167026 Syktyvkar, Republic of Komi	Production, Containerboard, Uncoated fine paper	100.00
OOO Mondi Sales CIS	2nd Brestskaya str. 8 Floor 13, 123047, Moscow	Distribution, Uncoated fine paper	100.00

Company	Registered office	Principal activities	% of shares held by Group
Serbia			
Mondi Šabac d.o.o. Šabac	Nova 9, 15000 Šabac	Production, Industrial bags	100.00
Singapore			
Mondi Packaging Paper Sales Asia Pte. Limited	3 Anson Road 27–01, Springleaf Tower, 079909	Distribution, Kraft paper	100.00
Slovakia			
East Paper, spol. s.r.o.	Rastislavova 98, 04346 Kosice	Service, Containerboard	26.01
KB Paper, s.r.o.	L. Kassaka 10, 94001 Nove Zamky	Service, Containerboard	25.50
Mondi SCP a.s.	Tatranská cesta 3, 03417 Ružomberok	Production, Kraft paper, Uncoated fine paper	51.00
Obaly SOLO, s.r.o	Tatranská cesta 3, 03417 Ružomberok	Production, Uncoated fine paper	51.00
RECOPAP, s.r.o.	Bratislavska 18, 90051 Zahor	Service, Containerboard	25.50
Slovpaper Recycling s.r.o.	L. Kassaka 10, 94001 Nove Zamky	Service, Containerboard	51.00
SLOVWOOD Ružomberok a.s.	Tatranská cesta 3, 03417 Ružomberok	Distribution, Uncoated fine paper	33.66
STRÁŽNA SLUŽBA VLA-STA s.r.o.	Tatranská cesta 3, 03417 Ružomberok	Distribution, Uncoated fine paper	51.00
Spain			
Mondi Bags Ibérica S.L.	Autovía A-2, Km 582, 08630 Abrera	Production, Industrial bags	100.00
Mondi Ibersac S.L.	Calle La Perenal 4, 48840 Güeñes, Bizcaia	Production, Industrial bags	100.00
Mondi Sales Ibérica S.L.	Calle Joaquin Costa 36 2a, 28002 Madrid	Distribution, Containerboard, Uncoated fine paper, Consumer packaging	100.00
Powerflute International S.L.[1]	Josep Irla I Bosch, 1–3 P.6 PTA.2, 08034 Barcelona	Distribution, Containerboard	100.00
Sweden			
Mondi Dynäs AB	87381 Väja	Production, Kraft paper	100.00
Mondi Örebro AB	Papersbruksallen 3A, Box 926, 70130 Örebro	Production, Extrusion coatings	100.00
Switzerland			
Dipeco AG	Bruehlstrasse 5, 4800 Zofingen	Production, Industrial bags	100.00
Thailand			
Mondi Bangkok Company, Limited[1]	789/10 Moo 9 Bang Pla Sub-District, Bang Phli District, Bangkok, Samut Prakan Province	Production, Consumer packaging	100.00
Mondi Coating (Thailand) Co. Ltd.	Nr 888/100–101 Soi Yingcharoen Moo 19, Bangplee-Tamru Road, Bangpleeyai, Bangplee, Samutprakam 10540	Service, Consumer packaging	100.00
Mondi TSP Company Limited	110, Moo 3, Nong Chumphon Nuea, Khao Yoi District, Petchaburi Province, 76140	Production, Consumer packaging	97.55
Trinidad and Tobago			
TCL Packaging Limited	Southern Main Road, Claxton Bay	Production, Industrial bags	20.00

Company	Registered office	Principal activities	% of shares held by Group
Turkey			
Mondi Istanbul Ambalaj Limited Şti.	No. 12A Türkgücü OSB Mah. Yilmaz Alpaslan Caddesi Corlu, Tekirdag, 59870	Production, Industrial bags	100.00
Mondi Kale Nobel Ambalaj Sanayi Ve Ticaret A.Ş.[4]	Sevketiye Cobancesme Kavsagi, A2 Blok, No. 229/230 Yeşilköy, Bakirköy/ Istanbul	Production, Consumer packaging	100.00
Mondi Tire Kutsan Kagit Ve Ambalaj Sanayi A.Ş.[5]	Toki Mahallesi, Hasan Tahsin Caddesi, No. 28, Tire, Izmir 35900	Production, Containerboard, Corrugated packaging	79.14
Ukraine			
Mondi Packaging Bags Ukraine LLC	Fabrychna Street 20, Zhydachiv, Lviv Region, 81700	Production, Industrial bags	100.00
UK			
Frantschach Holdings UK Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Holding, Industrial bags	100.00
Hypac Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Dormant, Corrugated packaging	100.00
Medway Packaging Pension Trustee Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Service, Industrial bags	100.00
Mondi Aberdeen Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Distribution, Industrial bags	100.00
Mondi Consumer Goods Packaging UK Ltd	Parkway, Deeside Industrial Park, Deeside, Clwyd, Wales, CH5 2NS	Production, Consumer packaging	100.00
Mondi Finance plc	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Service, Corporate	100.00
Mondi German Investments Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Holding, Corporate	100.00
Mondi Glossop Ltd	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Dormant, Consumer packaging	100.00
Mondi Holcombe Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Dormant, Corrugated packaging	100.00
Mondi Investments Limited[6]	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Holding, Corporate	100.00
Mondi Packaging (Delta) Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Dormant, Corrugated packaging	100.00
Mondi Packaging Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Dormant, Corrugated packaging	100.00

11 List of subsidiaries and associated undertakings and other significant holdings as at 31 December 2018

Company	Registered office	Principal activities	% of shares held by Group
Mondi Packaging UK Holdings Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Holding, Corrugated packaging	100.00
Mondi Pension Trustee Limited[6]	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Service, Corporate	100.00
Mondi Rochester Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	In liquidation, Extrusion coatings	100.00
Mondi Scunthorpe Limited[3]	Roxburgh House, Clayfield Road, Foxhills Industrial Estate, Scunthorpe, North Lincolnshire, DN15 8QJ	Dormant, Consumer packaging	100.00
Mondi Services (UK) Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Service, Corporate	100.00
Mondi UK Consumer Packaging Holding 1 Ltd	Parkway, Deeside Industrial Park, Deeside, Clwyd, Wales, CH5 2NS	Holding, Consumer packaging	100.00
Mondi UK Consumer Packaging Holding 2 Ltd	Parkway, Deeside Industrial Park, Deeside, Clwyd, Wales, CH5 2NS	Holding, Consumer packaging	100.00
Powerflute Group Holdings Limited[1]	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Holding, Containerboard	100.00
Rochette Packaging Limited	Building 1, 1st Floor, Aviator Park, Station Road, Addlestone, Surrey, KT15 2PG	Dormant, Corrugated packaging	100.00

Company	Registered office	Principal activities	% of shares held by Group
USA			
Mondi Akrosil, LLC	251 Little Falls Drive, Wilmington DE 19808	Production, Consumer packaging	100.00
Mondi Bags USA, LLC	251 Little Falls Drive, Wilmington DE 19808	Production, Industrial bags	100.00
Mondi Jackson, LLC	251 Little Falls Drive, Wilmington DE 19808	Production, Consumer packaging	100.00
Mondi Minneapolis, Inc.	220 South Sixth Street, Suite 2200, Minneapolis 55402	Service, Consumer packaging	100.00
Mondi Romeoville LLC	251 Little Falls Drive, Wilmington DE 19808	Production, Industrial bags	100.00
Mondi Tekkote LLC	251 Little Falls Drive, Wilmington DE 19808	Production, Consumer packaging	100.00

Notes:

1 % of shares held by Group in 2017: nil

2 % of shares held by Group in 2017: 29.89

3 These companies have ordinary and preference shares

4 % of shares held by Group in 2017: 90.00

5 % of shares held by Group in 2017: 70.30

6 These companies are held directly

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

Group financial record

Financial performance 2009–2018

Combined and consolidated income statement

€ million, unless otherwise stated	2018	Restated[1] 2017	2016	2015	2014	2013	2012	2011	2010	2009
Group revenue	**7,481**	**7,096**	**6,662**	**6,819**	**6,402**	**6,476**	**5,790**	**5,739**	**5,610**	**5,257**
Underlying EBITDA	**1,764**	**1,482**	**1,366**	**1,325**	**1,126**	**1,068**	**927**	**964**	**798**	**645**
Fibre Packaging[2]	1,086	833	721	734	651	596	519	560	392	261
Consumer Packaging	194	222	198	177	158	143	57	52	56	40
Uncoated Fine Paper	516	464	481	448	349	359	383	394	379	298
Corporate	(32)	(37)	(34)	(34)	(32)	(30)	(32)	(32)	(32)	(36)
Discontinued and disposed operations	—	—	—	—	—	—	—	(10)	3	82
Underlying operating profit	**1,318**	**1,029**	**981**	**957**	**767**	**699**	**574**	**622**	**458**	**294**
Special items	(126)	(61)	(38)	(57)	(52)	(87)	(91)	(55)	(21)	(125)
Net finance costs (excluding financing special item)	(88)	(85)	(101)	(105)	(97)	(115)	(110)	(111)	(106)	(114)
Underlying earnings	**916**	**721**	**667**	**647**	**519**	**460**	**334**	**340**	**206**	**95**
Basic earnings	824	668	638	600	471	386	242	330	224	(33)
Basic underlying EPS (euro cents)	**189.1**	**148.9**	**137.8**	**133.7**	**107.3**	**95.0**	**69.2**	**68.1**	**40.6**	**18.7**
Basic EPS (euro cents)	170.1	137.9	131.8	124.0	97.4	79.8	50.1	57.5	37.8	(6.5)
Total ordinary dividend per share paid and proposed (euro cents)[3]	**76.0**	**62.0**	**57.0**	**52.0**	**42.0**	**36.0**	**28.0**	**26.0**	**20.0**	**9.5**

Notes:

1 Comparative information for 2017 has been restated to reflect the changes in IFRS as described in notes 32 and 33

2 Underlying EBITDA of Fibre Packaging for the years 2009 to 2016 has been restated for the reorganisation of the Group's business units based on management reporting (unaudited)

3 In addition to the 2017 ordinary dividend, a special dividend of 100 euro cents was paid in 2018

Significant ratios

	2018	Restated[1] 2017	2016	2015	2014	2013	2012	2011	2010	2009
Underlying EBITDA growth (%)	19.0	8.5	3.1	17.7	5.4	15.2	(3.8)	20.8	23.7	(20.8)
Underlying EBITDA margin (%)	23.6	20.9	20.5	19.4	17.6	16.5	16.0	16.8	14.2	12.3
Underlying operating profit margin (%)	17.6	14.5	14.7	14.0	12.0	10.8	9.9	10.8	8.2	5.6
ROCE (%)	**23.6**	**19.3**	**20.3**	**20.5**	**17.2**	**15.3**	**13.6**	**15.0**	**12.3**	**7.6**
Net debt to 12-month trailing underlying EBITDA (times)	1.3	1.0	1.0	1.1	1.4	1.5	2.0	0.9	1.7	2.4
Ordinary dividend cover (times)	2.5	2.4	2.4	2.6	2.6	2.6	2.5	2.6	2.0	2.0
PE Ratio	9.6	14.6	14.2	13.5	12.6	13.2	11.9	8.0	14.8	20.2
Mondi plc – Share price at end of year (GBP cents per share)	1,634	1,931	1,666	1,334	1,050	1,046	670	455	514	335
Mondi Limited – Share price at end of year (ZAR per share)	309.57	319.27	279.99	307.27	188.74	179.70	92.16	57.30	51.42	40.14
Market capitalisation (€ million)	8,901	10,523	9,457	8,803	6,563	6,081	4,001	2,655	3,097	1,969

Note:

1 Comparative information for 2017 has been restated to reflect the changes in IFRS as described in notes 32 and 33

Significant cash flows

€ million	2018	Restated[1] 2017	2016	2015	2014	2013	2012	2011	2010	2009
Cash generated from operations	**1,654**	**1,363**	**1,401**	**1,279**	**1,033**	**1,036**	**849**	**917**	**778**	**867**
Working capital cash flows	(117)	(122)	68	9	(87)	(27)	(83)	(68)	(121)	248
Income tax paid	(248)	(151)	(173)	(160)	(106)	(126)	(109)	(85)	(47)	(32)
Capital expenditure cash outflows	**(709)**	**(611)**	**(465)**	**(595)**	**(562)**	**(405)**	**(294)**	**(263)**	**(394)**	**(517)**
Interest paid	(73)	(97)	(82)	(93)	(125)	(124)	(92)	(106)	(117)	(163)
Ordinary dividends paid to shareholders[2]	**(309)**	**(273)**	**(274)**	**(209)**	**(193)**	**(138)**	**(128)**	**(126)**	**(54)**	**(39)**

Notes:
1 Comparative information for 2017 has been restated to reflect the changes in IFRS as described in notes 32 and 33
2 A special dividend of €484 million was paid in 2018 in addition to the ordinary dividend

Combined and consolidated statement of financial position

€ million	2018	Restated[1] 2017	2016	2015	2014	2013	2012	2011	2010	2009
Property, plant and equipment	4,340	4,128	3,788	3,554	3,432	3,428	3,709	3,377	3,976	3,847
Goodwill	942	698	681	590	545	550	561	202	274	269
Working capital	972	899	799	794	811	711	764	575	660	527
Other assets	540	530	532	422	434	429	503	408	466	419
Other liabilities	(749)	(716)	(721)	(675)	(715)	(653)	(789)	(696)	(788)	(721)
Net assets excluding net debt	**6,045**	**5,539**	**5,079**	**4,685**	**4,507**	**4,465**	**4,748**	**3,866**	**4,588**	**4,341**
Equity	3,485	3,683	3,392	2,905	2,628	2,591	2,572	2,586	2,763	2,399
Non-controlling interests in equity	340	324	304	282	266	255	301	449	461	425
Net debt[2]	2,220	1,532	1,383	1,498	1,613	1,619	1,875	831	1,364	1,517
Capital employed	**6,045**	**5,539**	**5,079**	**4,685**	**4,507**	**4,465**	**4,748**	**3,866**	**4,588**	**4,341**

Notes:
1 Comparative information for 2017 has been restated to reflect the changes in IFRS as described in notes 32 and 33
2 Net debt prior to 2012 does not include the effect of net debt-related derivatives

Additional information for Mondi plc shareholders

The disclosures below form part of the Directors' report on pages 142 and 143 of this report.

Introduction

Set out below is a summary of certain provisions of Mondi plc's articles of association (Articles) and applicable English law concerning companies (the Companies Act). This is a summary only and the relevant provisions of the Articles or the Companies Act should be consulted if further information is required.

Share capital

Mondi plc's issued share capital as at 31 December 2018 comprised 367,240,805 ordinary shares of 20 euro cents each (the Ordinary Shares) representing 71.4% of the total share capital, 118,312,975 PLC Special Converting Shares of 20 euro cents each representing 23.0% of the total share capital, 146,896,322 deferred shares of 4 euro cents each (the Deferred Shares) representing 5.5% of the total share capital, the PLC Special Rights Share of €1, the PLC Special Voting Share of €1, the UK DAN Share of €1 and the UK DAS Share of €1. Each of the PLC Special Rights Share, PLC Special Voting Share, UK DAN Share and UK DAS Share represent only a nominal percentage of the total share capital.

The shares are in registered form.

Purchase of own shares

Subject to the provisions of the Articles and the Companies Act, Mondi plc may purchase, or may enter into a contract under which it will or may purchase, any of its own shares of any class, including any redeemable shares.

Ordinary Shares

Dividends and distributions

Subject to the provisions of the Companies Act, Mondi plc may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the board. The board may pay interim dividends whenever the financial position of Mondi plc, in the opinion of the board, justifies such payment.

The board may withhold payment of all or any part of any dividends or other monies payable in respect of Mondi plc's shares from a person with a 0.25% or more interest in nominal value of the issued shares, if such a person has been served with a notice after failure to provide Mondi plc with information concerning interest in those shares required to be provided under the Companies Act.

Voting rights

Subject to any special rights or restrictions attaching to any class of shares, at a general meeting, every member present in person has, upon a show of hands, one vote. Every duly appointed proxy has, upon a show of hands, one vote unless the proxy is appointed by more than one member, in which case the proxy has one vote for and one vote against if (i) the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution or (ii) the proxy has been instructed by one or more members to vote either for or against the resolution and by one or more members to use his discretion as to how to vote. On a poll every member who is present in person or by proxy has one vote for every fully paid share of which he is the holder. In the case of joint holders of a share, the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the shares. Under the Companies Act, members are entitled to appoint a proxy, who need not be a member of Mondi plc, to exercise all or any of their rights to attend and to speak and vote on their behalf at a general meeting or class meeting. A member may appoint more than one proxy in relation to a general meeting or class meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy is not entitled to delegate the proxy's authority to act on behalf of a member to another person. A member that is a corporation may appoint one or more individuals to act on its behalf at a general meeting or class meeting as a corporate representative.

Restrictions on voting

No member shall be entitled to vote either in person or by proxy at any general meeting or class meeting in respect of any shares held by him if any call or other sum then payable by him in respect of that share remains unpaid. In addition no member shall be entitled to vote if he has been served with a notice after failure to provide Mondi plc with information concerning interests in those shares required to be provided under the Companies Act.

Deadlines for exercising voting rights

Votes are exercisable at a general meeting of Mondi plc in respect of which the business being voted upon is being heard. Votes may be exercised in person, by proxy, or in relation to corporate members, by corporate representatives. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.

Variation of rights

Subject to the Companies Act, the Articles specify that rights attached to any class of shares may be varied with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting the quorum shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares). The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking pari passu with them.

Where, under an employee share plan operated by Mondi plc, participants are the beneficial owners of the shares but not the registered owner, the voting rights are normally exercised by the registered owner at the direction of the participant.

Transfer of shares

All transfers of shares which are in certificated form may be effected by transfer in writing in any usual or common form or in any other form acceptable to the directors. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully-paid shares) by or on behalf of the transferee and shall specify the name of the transferor, the name of the transferee and the number of shares being transferred. Transfers of shares which are in uncertificated form are effected by means of the CREST system.

The directors may also refuse to register an allotment or transfer of shares (whether fully paid or not) in favour of more than four persons jointly. If the directors refuse to register an allotment or transfer they shall, within 30 days after the date on which the letter of allotment or transfer was lodged with Mondi plc, send to the allottee or transferee a notice of the refusal.

The directors may decline to register any instrument of transfer unless: (i) the instrument of transfer is in respect of only one class of share, (ii) when submitted for registration is accompanied by the relevant share certificates and such other evidence as the directors may reasonably require and (iii) it is fully paid.

Subject to the Companies Act and regulations and applicable CREST rules, the directors may determine that any class of shares may be held in uncertificated form and that title to such shares may be transferred by means of the CREST system or that shares of any class should cease to be so held and transferred.

A shareholder does not need to obtain the approval of Mondi plc, or of other shareholders of shares in Mondi plc, for a transfer of shares to take place.

Some of the Mondi plc employee share plans include restrictions on transfer of shares while the shares are subject to such plan.

Deferred Shares

The rights and privileges attached to the Deferred Shares are as follows: no entitlement to receive any dividend or distribution declared, made or paid or any return of capital (save as described below) and does not entitle the holder to any further or other right of participation in the assets of Mondi plc.

On a return of capital on winding up, but not on a return of capital on any other class of shares of Mondi plc, otherwise than on a winding up of Mondi plc, the holders of the Deferred Shares shall be entitled to participate but such entitlement is limited to the repayment of the amount paid up or credited as paid up on such share and shall be paid only after the holders of any and all Ordinary Shares then in issue shall have received (i) payment in respect of such amount as is paid up or credited as paid up on those Ordinary Shares held by them at that time plus (ii) the payment in cash or in specie of £10,000,000 on each such Ordinary Share.

The holders of the Deferred Shares are not entitled to receive notice of, nor attend, speak or vote at, any general meeting of Mondi plc.

Shares required for the DLC structure

Mondi SCS (UK) Limited, a UK trust company, specially formed for the purpose of the DLC structure, holds the PLC Special Voting Share, the PLC Special Converting Shares, the PLC Special Rights Share, the UK DAN Share and the UK DAS Share. These shares can only be transferred to another UK trust company, in limited circumstances.

The PLC Special Voting Share is a specially created share so that shareholders of both Mondi plc and Mondi Limited effectively vote together as a single decision-making body on matters affecting shareholders of both companies in similar ways, as set out in the Articles.

Prior to a change of control, approval of termination of the sharing agreement (which regulates the DLC), liquidation or insolvency of Mondi plc, the PLC Special Converting Shares have no voting rights except in relation to a resolution proposing the (i) variation of the rights attaching to the shares or (ii) winding up, and they have no rights to dividends. The PLC Special Converting Shares are held on trust for the Mondi Limited ordinary shareholders.

The PLC Special Rights Share does not have any rights to vote or any right to receive any dividend or other distribution by Mondi plc, save in respect to capitalisation of reserves.

Mondi plc and Mondi Limited have established dividend access trust arrangements as part of the DLC. Mondi plc has issued two dividend access shares, the UK DAS Share and UK DAN Share, which enable Mondi plc to pay dividends to the shareholders of Mondi Limited. This facility may be used by the board to address imbalances in the distributable reserves of Mondi plc and Mondi Limited and/or to address the effects of South African exchange controls and/or if they otherwise consider it necessary or desirable.

Directors

Appointment and replacement of directors

Directors shall be no less than four and no more than 20 in number. A director is not required to hold any shares of Mondi plc by way of qualification. Mondi plc may by special resolution increase or reduce the maximum or minimum number of directors.

At each Annual General Meeting held in each year at least one-third of the directors, including at least one-third of non-executive directors, or if their number is not a multiple of three then the number nearest to, but not less than, one-third, shall retire from office. Any further directors to retire shall be those of the other directors subject to retirement by rotation who have been longest in office since their last election or re-election or, if later, deemed election or re-election and so that as between persons who became or were last re-elected directors on the same day, those to retire shall, unless they otherwise agree among themselves, be determined by lot. In casting the lot, the provision that a director must also be a director of Mondi Limited and the corresponding provision of the Mondi Limited memorandum of incorporation shall be observed. A retiring director shall be eligible for re-election.

The board may appoint any person to be a director (so long as the total number of directors does not exceed the limit prescribed in the Articles). Any such director shall hold office only until the next Annual General Meeting and shall then be eligible for re-election, but shall not be taken into account in determining the number of directors who are to retire by rotation at such meeting.

Powers of the directors

Subject to the Articles, the Companies Act and any directions given by special resolution, the business of Mondi plc will be managed by the board who may exercise all the powers of Mondi plc.

The board may exercise all the powers of Mondi plc to borrow money and to mortgage or charge any of its undertaking, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of Mondi plc or of any third party.

Significant agreements: change of control

The Articles of Mondi plc and the memorandum of incorporation of Mondi Limited ensure that a person cannot make an offer for one company without having made an equivalent offer to the shareholders of both companies on equivalent terms.

Pursuant to the terms of the agreements establishing the DLC structure, if either Mondi plc or Mondi Limited serves written notice on the other at any time after either party becomes a subsidiary of the other party or after both Mondi plc and Mondi Limited become subsidiaries of a third party, the agreements establishing the DLC structure will terminate.

All of Mondi plc's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time.

Amendment of the Articles

Any amendments to the Articles of Mondi plc may be made in accordance with the provisions of the Companies Act by way of special resolution.

Shareholder information

Mondi has a dual listed company (DLC) structure comprising Mondi Limited, a company registered in South Africa and Mondi plc, a company registered in the UK. Mondi Limited has a primary listing on the JSE Limited while Mondi plc has a premium listing on the London Stock Exchange and a secondary listing on the JSE Limited.

Under the DLC structure any ordinary share held in either Mondi Limited or Mondi plc gives the holder an effective economic interest in the whole Mondi Group. The relationship between Mondi Limited and Mondi plc is underpinned by the DLC structure principles, which provide that:

→ Mondi Limited and Mondi plc and their subsidiaries must operate as if they are a single corporate group; and

→ the directors of Mondi Limited and Mondi plc will, in addition to their duties to the company concerned, have regard to the interests of the Mondi Limited shareholders and the Mondi plc shareholders as if the two companies were a single unified economic enterprise and for that purpose the directors of each company will take into account, in the exercise of their powers, the interests of the shareholders of the other.

Financial calendar

9 May 2019	2019 Annual General Meetings
9 May 2019	Trading update
16 May 2019	Payment date for 2018 final ordinary dividend
1 August 2019	2019 half-yearly results announcement
September 2019	2019 interim ordinary dividend payment
10 October 2019	Trading update

Analysis of shareholders

As at 31 December 2018 Mondi Limited had 118,312,975 ordinary shares in issue and Mondi plc had 367,240,805 ordinary shares in issue, of which 110,560,682 were held on the South African branch register.

By size of holding

Mondi Limited

Number of shareholders	% of shareholders	Size of shareholding	Number of shares	% of shares
7,974	74.44	1 – 500	1,247,973	1.06
1,037	9.68	501 – 1,000	754,776	0.64
950	8.87	1,001 – 5,000	2,061,440	1.74
522	4.87	5,001 – 50,000	8,687,023	7.34
212	1.98	50,001 – 1,000,000	44,982,449	38.02
17	0.16	1,000,001 – highest	60,579,314	51.20
10,712	100.00		118,312,975	100.00

Mondi plc

Number of shareholders	% of shareholders	Size of shareholding	Number of shares	% of shares
2,087	53.20	1 – 500	437,764	0.12
454	11.57	501 – 1,000	330,835	0.09
568	14.48	1,001 – 5,000	1,319,661	0.36
455	11.60	5,001 – 50,000	8,923,873	2.43
311	7.93	50,001 – 1,000,000	74,337,314	20.24
48	1.22	1,000,001 – highest	281,891,358	76.76
3,923	100.00		367,240,805	100.00

By type of holding

Mondi Limited

	Number of holders	Number of shares	% of shares
Public[1]	10,710	117,957,296	99.70
Non-public	2	355,679	0.30
Directors of Mondi Limited/Mondi plc	1	208	0.00
Mondi staff share schemes[2]	1	355,471	0.30
Total	10,712	118,312,975	100.00

Mondi plc

	Number of holders	Number of shares	% of shares
Public[1]	3,913	366,087,560	99.69
Non-public	10	1,153,245	0.31
Directors of Mondi Limited/Mondi plc	8	253,190	0.07
Mondi staff share schemes[2]	2	900,055	0.24
Total	3,923	367,240,805	100.00

1 As per the Listings Requirements of the JSE Limited
2 Shares held for the purposes of Mondi staff share schemes are held in trust

Managing your shares

Registrars

To manage your shares or if you have any queries, please contact the relevant Registrar:

	Mondi Limited shares and Mondi plc shares on the South African branch register	Mondi plc shares on the UK register
Registrar	Link Market Services South Africa Proprietary Limited (Link Market Services)	Link Asset Services
Postal address	PO Box 4844 Johannesburg, 2000 South Africa	The Registry 34 Beckenham Road Beckenham Kent BR3 4TU UK
Helpline number	011 713 0800 (if calling from South Africa) +27 11 713 0800 (if calling from outside South Africa)	0871 664 0300 (if calling from the UK; calls cost 12p per minute plus your phone company's access charge; lines are open Monday to Friday between 9:00am to 5:30pm excluding public holidays in England and Wales) +44 371 664 0300 (if calling from outside the UK; calls will be charged at the applicable international rate)
Email	meetfax@linkmarketservices.co.za	enquiries@linkgroup.co.uk
Online	Not available	www.signalshares.com

Sign up to email communications

Many of our shareholders choose to receive shareholder information electronically rather than by post. Benefits include faster notification of shareholder information, reduced costs and being more environmentally friendly.

Mondi plc shareholders on the UK register can sign up to email communications by contacting Link Asset Services or via their online portal, Signal Shares.

Mondi Limited shareholders and Mondi plc shareholders on the South African branch register holding their shares in certificated form can sign up to email communications by contacting Link Market Services or by emailing corpactfax@linkmarketservices.co.za. Mondi Limited shareholders and Mondi plc shareholders on the South African branch register with dematerialised shares should contact their Central Securities Depository Participant (CSDP) or broker.

You will be notified by email each time new financial reports, notices of shareholder meetings and other shareholder communications are published on our website at: www.mondigroup.com.

Manage your shares online

Mondi plc shareholders on the UK register can sign up to Signal Shares, a free secure online site provided by Link Asset Services, where you can manage your shareholding quickly and easily. You can:

- → View your holding and get an indicative valuation
- → Change your address
- → Arrange to have dividends paid into your bank account
- → Request to receive shareholder communications by email rather than post
- → View your dividend payment history
- → Make dividend payment choices
- → Buy and sell shares and access stock market news and information
- → Register your proxy voting instruction
- → Download a Stock Transfer form

To register for Signal Shares just visit www.signalshares.com. All you need is your investor code which can be found on your share certificate, dividend confirmation or proxy form.

Dividends

A proposed final ordinary dividend for the year ended 31 December 2018 of 54.55 euro cents per ordinary share will be paid to Mondi plc shareholders and an equivalent South African rand final ordinary dividend will be paid to Mondi Limited shareholders in accordance with the below timetable.

Payment of the final ordinary dividend is subject to the approval of the shareholders of Mondi plc and Mondi Limited at the respective Annual General Meetings scheduled for 9 May 2019.

	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[1]
Currency conversion dates		
ZAR/euro	Thu 28 February 2019	Thu 28 February 2019
Euro/sterling	Not applicable	Tue 30 April 2019

1 Wednesday 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 Wednesday 10 April 2019 and Sunday 14 April 2019, both dates inclusive, nor may transfers between the UK and South African registers of Mondi plc take place between Saturday 6 April 2019 and Sunday 14 April 2019, both dates inclusive.

Dividend tax will be withheld from the amount of the gross final ordinary dividend paid to Mondi Limited shareholders and Mondi plc shareholders on the South African branch register at the rate of 20%, unless a shareholder qualifies for an exemption.

Your dividend currency

All dividends are declared in euro but are paid in the following currencies:

Mondi Limited	South African rand
Mondi plc	euro
Mondi plc (UK residents)	pound sterling
Mondi plc (South African residents)	South African rand

→ Mondi plc shareholders on the UK register resident in the UK may elect to receive their dividends in euro

→ Mondi plc shareholders on the UK register resident outside the UK may elect to receive their dividends in pound sterling

Mondi plc shareholders on the UK register wishing to elect to receive their dividends in an alternative currency should contact Link Asset Services in the UK using the details provided.

Payment of your dividends

Mondi encourages shareholders to have their dividends paid directly into their bank accounts. This means that the dividend will reach your bank account more securely and on the payment date without the inconvenience of depositing a cheque.

Mondi Limited shareholders and Mondi plc shareholders on the South African branch register

→ Shareholders with a South African bank account can elect to receive dividends directly into their bank account by contacting Link Market Services.

→ Shareholders without a South African bank account are encouraged to dematerialise their shares with a CSDP in South Africa as a CSDP is often able to pay dividends into foreign bank accounts. Find out more by contacting Link Market Services or any CSDP.

Mondi plc shareholders on the UK register

→ Shareholders with a UK bank account can elect to receive dividends directly into their bank account via Signal Shares or by contacting Link Asset Services.

→ Shareholders without a UK bank account may be able to take advantage of the International Payment Service offered by Link Asset Services. Find out more via Signal Shares or by contacting Link Asset Services.

Reinvest your dividends

The dividend reinvestment plans (DRIPs) provide an opportunity for shareholders to have their Mondi Limited and Mondi plc cash dividends reinvested in Mondi Limited and Mondi plc ordinary shares respectively.

The plans are available to all Mondi Limited and Mondi plc ordinary shareholders (excluding those in certain restricted jurisdictions). Fees may apply.

If you wish to participate in the DRIPs you can sign up via Signal Shares or by contacting either Link Market Services in South Africa or Link Asset Services in the UK as appropriate.

South African dematerialisation

Mondi encourages Mondi Limited shareholders and Mondi plc shareholders on the South African branch register to consider dematerialising their shares. By surrendering your share certificate, you will hold your shares electronically with a CSDP in South Africa.

Holding shares electronically can help to prevent share fraud, theft and loss of share certificates. Once dematerialised, your dividends can be paid directly into a bank account and your shares will be easier to sell.

Find out more by contacting Link Market Services or any CSDP.

Taxation

Mondi is unable to advise shareholders on taxation. Your tax obligations will vary depending on your jurisdiction and financial circumstances. With regard to your Mondi shareholding, we recommend all shareholders maintain records of dividend payments, share purchases and sales. A dividend confirmation will be sent with all dividend payments. For further assistance, please speak to an independent professional tax or financial adviser.

Donating shares to charity

If you have a small number of shares which would cost you more to sell than they are worth, there is the option to donate these unwanted shares to charity free of charge. These shares are then aggregated, sold and the proceeds distributed to various charities. Donate your shares or find out more using the relevant contact details below:

	Mondi Limited shares or Mondi plc shares on the South African branch register	**Mondi plc shares on the UK register**
	Strate Charity Shares	ShareGift
Postal address	PO Box 78608 Sandton, 2146 South Africa	PO Box 72253 London SW1P 9LQ UK
Helpline number	0800 202 363 (if calling from South Africa) +27 11 870 8207 (if calling from outside South Africa)	+44 (0)20 7930 3737
Email	charityshares@computershare.co.za	help@sharegift.org
Online	http://www.strate.co.za/we-care/strate-charity-shares	www.sharegift.org

Fraud

Shareholders should be aware that they may be targeted by certain organisations offering unsolicited investment advice or the opportunity to buy or sell worthless or non-existent shares. Should you receive any unsolicited calls or documents to this effect, you are advised not to give out any personal details or to hand over any money without ensuring that the organisation is authorised by the UK Financial Conduct Authority (FCA) and doing further research.

If you are unsure or think you may have been targeted you should report the organisation to the FCA. For further information, please visit the FCA's website at www.fca.org.uk, email consumer.queries@fca.org.uk or call the FCA consumer helpline on 0800 111 6768 if calling from the UK or +44 20 7066 1000 if calling from outside the UK.

Shareholders can also contact Link Asset Services in the UK, Link Market Services in South Africa or Mondi's company secretarial department on +44 (0)1932 826300.

Account amalgamations

If you receive more than one copy of any documents sent out by Mondi or for any other reason you believe you may have more than one Mondi Limited or Mondi plc account, please contact the relevant Registrar who will be able to confirm and, if necessary, arrange for the accounts to be amalgamated into one.

Alternative formats

If you would like to receive this report in an alternative format, such as in large print, Braille or in audio format, please contact Mondi's company secretarial department on +44 (0)1932 826300.

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Registered in England and Wales
Registered No. 6209386

Website: www.mondigroup.com

Glossary of terms

In addition to the terms explained below, the Group presents certain financial measures that are not defined or specified according to IFRS. These measures, referred to as Alternative Performance Measures (APMs), are defined in note 32 in the notes to the combined and consolidated financial statements. A full glossary of sustainability-related terms can be found in Mondi's online Sustainable development report 2018.

Circular economy

An industrial system that is restorative or regenerative by intention and design. It replaces the 'end-of-life' concept with restoration, shifts towards the use of renewable energy, eliminates the use of toxic chemicals which impair reuse, and aims for the elimination of waste through the superior design of materials, products, systems and business models.

Ellen MacArthur Foundation definition

CoC

Chain-of-Custody is a tracking system that allows manufacturers and traders to demonstrate that timber comes from a forest that is responsibly managed in accordance with credible standards.

COD

Chemical oxygen demand is a measure of the oxygen consuming capacity of inorganic and organic matter present in the waste water. It is a metric for emissions to water.

FSC™

Forest Stewardship Council™ is an international not-for-profit, multi-stakeholder organisation established in 1993 to promote socially and environmentally responsible management of the world's forests by way of standard setting, third-party certification and labelling of forest products.

PEFC™

Programme for the Endorsement of Forest Certification™ is an international not-for-profit non-government organisation dedicated to promoting sustainable forest management through independent third-party certification.

GHG and CO_2e

Greenhouse gases (GHG) are gases listed in the Kyoto Protocol of the United Nations Framework Convention on Climate Change (UN-FCCC) that contribute to the greenhouse effect and are regulated by the Kyoto Protocol. We convert non-CO_2 GHGs (such as CH_4 or N_2O) into an amount of CO_2 with an equivalent warming potential. Total GHG emissions are the sum of the equivalent amount of CO_2 for each GHG, abbreviated as CO_2e.

Scope 1 emissions

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

Scope 2 emissions

Total GHG emissions from sources that are related to generation of purchased energy outside the company boundaries.

Scope 3 emissions

Total GHG emissions from the production of fuel and raw materials business travel; raw materials; transport of products and raw materials; and employee commuting.

GRI

The Global Reporting Initiative is a not-for-profit organisation that produces one of the world's most prevalent frameworks for sustainability reporting.

Specific

Figures reported in specific terms are normalised to saleable production tonnes.

SDGs

The UN Sustainable Development Goals were launched in 2015, involving a comprehensive, far-reaching and people-centred set of 17 universal and transformative goals and 169 targets. They are integrated and indivisible, and will stimulate action over the next years until 2030 in areas of critical importance for humanity and the planet: people, planet, prosperity, peace and partnerships.

TRCR

Total recordable case rate is calculated as the number of total recordable cases (the sum of fatalities, lost-time injuries, restricted work cases, medical treatment cases and compensated occupational illnesses) divided by the number of hours worked per 200,000 man hours.

TRS

Total reduced sulphur compounds, generated in the pulping process, and a source of odorous emissions to air.

UNGC

United Nations Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

Forward-looking statements

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

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

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

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

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Our 2018 suite of reports

Please visit our Group website where copies of our reports can be downloaded:
www.mondigroup.com/reports18

Integrated report and financial statements 2018

A balanced overview of Mondi's performance in 2018 and insight into how our approach to strategy, governance, people and performance combine to generate value in a sustainable way. Also available online at www.mondigroup.com/ir18

Sustainable Development report 2018

A comprehensive view of our approach to sustainable development and our performance in 2018, prepared in accordance with the GRI Standards: Core option. Available online as an interactive pdf at www.mondigroup.com/sd18

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Classic Rough in 300gsm, 120gsm and 90gsm

Printing: CPI Colour | www.cpicolour.co.uk
Design and production: Radley Yeldar | www.ry.com