Mondi Limited

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

Mondi plc

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

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23 February 2017

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

To comply with the requirements in Articles 7 and 9 of the regulatory technical standards of the Transparency Directive (2004/109/EC), this announcement is classified as additional regulated information required to be disclosed under the laws of a Member State.

Full year results for the year ended 31 December 2016

Highlights

- **Strong financial performance**
  - Underlying operating profit of €981 million, up 3%
  - Underlying earnings of 137.8 euro cents per share, up 3%
  - Cash generated from operations of €1,401 million, up 10%
  - Return on capital employed of 20.3%
- **Capital projects delivering growth**
  - Completed major projects contributed incremental €50 million to underlying operating profit in 2016
  - Strong expansionary capital investment pipeline: over €800 million in major projects approved and in progress
- **Four acquisitions totalling €185 million, expanding our packaging interests**
- **Implemented Growing Responsibly model, defining our sustainability commitments to 2020**
- **Recommended full year dividend of 57.0 euro cents per share, up 10%**

Financial Summary

€ million, except for percentages and per share measures	Year ended 31 December 2016	Year ended 31 December 2015	Change %	Six months ended 31 December 2016	Six months ended 31 December 2015	Change %
Group revenue	**6,662**	6,819	(2)	**3,350**	3,360	—
Underlying EBITDA[1]	**1,366**	1,325	3	**652**	654	—
Underlying operating profit[1]	**981**	957	3	**452**	467	(3)
Operating profit	**943**	900	5	**414**	449	(8)
Profit before tax	**843**	796	6	**361**	404	(11)
Per share measures						
Basic underlying earnings per share[1] (euro cents)	**137.8**	133.7	3			
Basic earnings per share (euro cents)	**131.8**	124.0	6			
Total dividend per share (euro cents)	**57.0**	52.0	10			
Cash generated from operations	**1,401**	1,279	10			
Net debt	**1,383**	1,498				
Group return on capital employed (ROCE)[2]	**20.3%**	20.5%				

Notes:

1 The Group presents underlying EBITDA, operating profit and related per share information as measures which exclude special items in order to provide a more effective comparison of the underlying financial performance of the Group between financial reporting periods. A reconciliation of underlying operating profit to profit before tax is provided in note 3 of the condensed financial statements.

2 ROCE is underlying operating profit expressed as a percentage of the average capital employed for the year, adjusted for impairments and spend on strategic projects which are not yet in operation.

David Hathorn, Mondi Group chief executive, said:

"I am pleased to announce another strong performance, building on our track record of steadily improving profitability over the last five years. Underlying operating profit was up 3% to €981 million and our return on capital employed was 20.3%.

We saw good contributions from all our businesses despite pricing headwinds in a number of key paper grades.

We made considerable progress in driving growth through our capital investment programme, delivering incremental operating profit of around €50 million in 2016 from recently completed capital projects, with a further €30 million anticipated in 2017. In addition to our significant pipeline of projects already in progress, the Boards have approved the replacement of the recovery boiler at our Štětí mill in the Czech Republic and installation of a 90,000 tonne per annum machine glazed speciality kraft paper machine for a total investment of €470 million.

We completed four acquisitions totalling €185 million in 2016, enhancing our product offering and geographic reach in our Corrugated and Consumer Packaging businesses.

Our outlook for the business is positive. We have implemented or announced price increases in containerboard, sack kraft and uncoated fine paper grades, supported by good demand. We expect some inflationary cost pressures across the Group and a lower forestry fair value gain. Furthermore, we anticipate a more challenging trading environment in certain uncoated fine paper markets following price erosion in Europe over the course of 2016, combined with emerging market currency volatility. However, we expect to continue to benefit from contributions from our recently completed capital projects and acquisitions, together with steady organic growth in our downstream converting businesses.

Our consistent and focused strategy, robust business model and firm focus on operational excellence all continue to contribute to our performance. We remain confident of continuing to deliver industry-leading returns."

Group performance review

Our strong performance in 2016 builds on our track record of continuous improvement in profitability over the last five years. Our consistent and focused strategy, robust business model and firm focus on operational excellence all continued to contribute to our performance.

Group revenue of €6,662 million was down 2% on the prior year. Excluding the impact of currency movements, revenue was in line with the prior year. Good volume growth in Packaging Paper and Consumer Packaging and higher domestic selling prices in South Africa and Russia were offset by lower average selling prices in Packaging Paper and Fibre Packaging.

Underlying operating profit of €981 million was up 3% on the prior year. Packaging Paper was negatively impacted by lower selling prices across most key grades and lower green energy prices, partially offset by like-for-like sales volume growth. Fibre Packaging continued its positive development, with volume growth in Corrugated Packaging and a good performance from the core European industrial bags business, partly offset by negative currency translation effects and ongoing challenges in the US industrial bags business. We continue to make good progress in Consumer Packaging with strong volume growth and improving margins. In Uncoated Fine Paper, Russian domestic price increases and a strong focus on productivity and efficiency more than offset negative currency effects from the weaker rouble and flat average European pricing. Our South Africa Division was negatively affected by sharply lower average export pulp selling prices and higher input costs which were only partially offset by positive currency effects and a higher fair value gain on forestry assets. After taking the impact of special items of €38 million into consideration, operating profit of €943 million was up 5% (2015 : €900 million).

Our passion for performance is central to the way we run our business and is demonstrated through a continuous focus on quality, productivity and efficiency. We invest in our existing operations and, where appropriate, in strategic acquisitions to strengthen our cost advantages, generate synergies through integration and enhance our product and service offering and/or geographic reach to better serve our customers. In 2016 our recently completed capital investments contributed around €50 million in incremental operating profit. We completed four acquisitions during the year: two corrugated packaging acquisitions, SIMET in Poland and Lebedyan in Russia; and two in Consumer Packaging, Kalenobel in Turkey and Uralplastic in Russia. In February 2017, we announced the acquisition of Excelsior Technologies Limited in the UK, further supporting the development of Consumer Packaging.

The impact of maintenance shuts on underlying operating profit in 2016 was around €75 million (2015: €90 million), slightly above expectation due to a longer than anticipated shut at our Richards Bay mill (South Africa). Based on prevailing market prices, we estimate that the impact of planned maintenance shuts on underlying operating profit in 2017 will be around €80 million.

Input costs were generally lower across our European businesses. Wood costs were lower than the prior year with a stable supply and demand balance. Average benchmark costs for paper for recycling were up around 11% on 2015 as prices increased in the second half of the year on strong export demand and increased European consumption. Energy costs were lower than the prior year due to lower average crude oil and gas prices. Looking forward, rising commodity input costs are expected to put some upward pressure on energy costs. Following the significant volatility in polyethylene prices in 2015, pricing was more stable during the year, but on average at similar levels to the prior year. In our South Africa Division, inflationary pressures and higher imported costs resulted in an increase in input costs.

Volatility in foreign exchange rates had a net negative impact on underlying operating profit of €31 million. The weakening of a number of emerging market currencies, particularly the Russian rouble, Turkish lira, Polish zloty and Mexican peso, had a negative impact on translation of the profits of our Fibre Packaging and domestically focused Russian uncoated fine paper operations, while our South Africa Division benefited from the weakening of the rand due to its significant export position.

Our cash generation remained strong with cash generated from operations of €1,401 million up 10% on the prior year. Net debt reduced by €115 million to €1,383 million, or 1.0 times EBITDA.

Underlying earnings of 137.8 euro cents per share were up 3% compared to 2015. After taking the effect of special items into account, basic earnings of 131.8 euro cents per share were up 6% compared to 2015.

Our Boards have recommended payment of a final dividend of 38.19 euro cents per share, bringing the total dividend for the year to 57.0 euro cents per share, an increase of 10% on 2015.

Packaging Paper (Europe & International Division)

€ million	Year ended 31 December 2016	Year ended 31 December 2015	Change %	Six months ended 31 December 2016	Six months ended 31 December 2015	Change %
Segment revenue	**2,056**	2,156	(5)	**1,011**	1,034	(2)
Underlying EBITDA	**483**	505	(4)	**232**	239	(3)
Underlying operating profit	**361**	391	(8)	**169**	180	(6)
Underlying operating profit margin	**17.6%**	18.1%		**16.7%**	17.4%	
Special items	**—**	(14)		**—**	—	
Capital expenditure	**156**	259		**86**	155	
Net segment assets	**1,760**	1,753				
ROCE	**22.4%**	25.5%				

Profitability in Packaging Paper, down 8% on the prior year, was impacted by lower average selling prices across most key grades, lower green energy prices and the loss of contribution from the Raubling mill sold during 2015, partially offset by the benefits of completed capital investment projects. However, the business unit delivered a strong ROCE performance of 22.4%.

On a like-for-like basis, excluding the impact of the sale of the Raubling mill, sales volumes were marginally up across all containerboard grades.

As anticipated, we saw some price erosion in the kraftliner grades in the first half of the year. While demand growth remained solid, the market came under some pressure from increased supply from new capacity in Europe and competition from importers benefiting from weak emerging market currencies. Average European benchmark selling prices for unbleached kraftliner were down 5% on the prior year and white-top kraftliner prices were down around 2%. Supported by sustained good demand and a strong order position, a price increase of €20 per tonne was implemented for unbleached kraftliner in August across all European markets excluding southern Europe, partly offsetting the price erosion seen over the course of the first half of the year. In Russia, price increases for white-top kraftliner were implemented at the beginning of 2016 and remained stable throughout the year.

In response to strong demand, price increases of €50 per tonne were recently implemented on all unbleached kraftliner grades in Europe, effective from March 2017. A price increase of €50 per tonne has also been announced for white-top kraftliner to take effect from the beginning of the second quarter of 2017. In Russia, prices for white-top kraftliner were increased from the beginning of 2017.

Average European benchmark selling prices for recycled containerboard were down 3% on the prior year period. Price increases of €40 per tonne were achieved from February 2017 and a further increase of €40 per tonne has been announced to take effect from the beginning of the second quarter of 2017.

Sales volumes for sack kraft paper increased compared to the prior year, benefiting from good demand, fewer planned maintenance shuts and productivity improvements. Average selling prices for sack kraft paper produced in Europe declined by 5-6% in the early part of 2016 and remained at those levels through the balance of the year. Given strong demand, selling prices were increased by 3-4% from the beginning of 2017 in all markets.

We saw good demand across our range of speciality kraft papers, although sales volumes of certain grades were impacted by the closure of high cost production capacity in 2015. Selling prices were, on average, marginally lower than in the prior year.

We have completed a number of investments across our mills in recent years and our focus in 2016 was on fully realising the benefits of these investments. These benefits include a reduction in energy costs at our Świecie mill (Poland) following the completion in 2015 of the new recovery boiler, and improved productivity following the completion of a number of smaller investments across our production base.

Input costs were at a similar level to the prior year with the business benefiting from cost savings initiatives and generally lower raw material and energy costs which offset higher paper for recycling costs and other inflationary increases. Green energy prices were significantly lower in Poland due to legislative changes, resulting in a €20 million reduction in income from green energy credits compared to the prior year, including the impact of a write-down of €6 million in the carrying value of the inventory of green energy credits held at year end.

Planned maintenance shuts at our Syktyvkar (Russia) and Świecie (Poland) mills were completed during the first half of the year, and a further planned maintenance shut at Świecie and the majority of our kraft paper mill shuts were completed in the second half of the year. A similar planned maintenance schedule is anticipated in 2017 although the shuts at our Świecie and Štětí mills will be extended as we progress our major capital investments in those operations.

Fibre Packaging (Europe & International Division)

€ million	Year ended 31 December 2016	Year ended 31 December 2015	Change %	Six months ended 31 December 2016	Six months ended 31 December 2015	Change %
Segment revenue	**1,929**	2,031	(5)	**961**	985	(2)
Underlying EBITDA	**194**	187	4	**100**	86	16
Underlying operating profit	**123**	120	3	**64**	52	23
Underlying operating profit margin	**6.4%**	5.9%		**6.7%**	5.3%	
Special items	**(13)**	(21)		**(13)**	(11)	
Capital expenditure	**107**	118		**57**	60	
Net segment assets	**1,006**	935				
ROCE	**13.5%**	13.9%				

In Fibre Packaging our underlying operating profit increased 3% to €123 million and ROCE was 13.5%, with volume growth in Corrugated Packaging and a good performance from the core European industrial bags business partly offset by negative currency translation effects and ongoing challenges in the US and CIS industrial bags businesses.

Corrugated Packaging achieved good organic volume growth, particularly in the Czech Republic and Germany, supplemented by two acquisitions to expand our corrugated network. Mondi SIMET S.A. (Poland) complements our existing geographic footprint, allows for logistics optimisation and provides increased production capacity in the growing Polish market. We started building work for the conversion of this plant to a high-efficiency, heavy-duty box plant early in 2017. Mondi Lebedyan (Russia) provides us with excellent opportunities in the local agricultural market and increases our ability to serve our multinational customers. Sales volumes were negatively impacted in Turkey, due to ongoing political turbulence in the region, and Poland, where sales growth was tempered by the Russian embargo preventing the export of fresh fruit and vegetables to that market. Profitability was also negatively affected by the weaker Turkish lira and Polish zloty. Over the last two years, we have invested significantly in all our corrugated operations, helping us to better serve our customers and meet their more sophisticated product needs. The business benefited from lower paper input costs and productivity gains.

In Industrial Bags, while European markets remained robust, the business was negatively impacted by challenging market conditions in the US and CIS. Overall, sales volumes declined 1% with good growth in Europe and the Middle East offset by declines in the US and CIS. The breadth and geographic reach of our Industrial Bags network gives us the unique ability to fully optimise our production network to better serve our customers. In 2016, we closed our facility at Sendenhorst (Germany), while continuing to serve our customers from other sites and, in December 2016, announced the closure of our facility in southern Belgium. We have also significantly increased the level of exports from our Mexican operations into the US, and started production at our new operation in Cŏte d'Ivoire. Lower sales volumes were partly compensated by significant cost savings resulting from a strong focus on cost management and the benefits of the restructuring and rationalisation activities. The weaker Mexican peso had a negative impact on the translation of profits from our Mexican operations.

Consumer Packaging (Europe & International Division)

€ million	Year ended 31 December 2016	Year ended 31 December 2015	Change %	Six months ended 31 December 2016	Six months ended 31 December 2015	Change %
Segment revenue	**1,562**	1,469	6	**797**	739	8
Underlying EBITDA	**198**	177	12	**98**	94	4
Underlying operating profit	**121**	108	12	**57**	59	(3)
Underlying operating profit margin	**7.7%**	7.4%		**7.2%**	8.0%	
Special items	**(19)**	(22)		**(19)**	(7)	
Capital expenditure	**91**	92		**49**	42	
Net segment assets	**1,270**	1,146				
ROCE	**10.5%**	10.7%				

Consumer Packaging made good progress with strong volume growth and improving margins. Underlying operating profit increased 12% to €121 million with a ROCE of 10.5%.

Good progress was made in our ongoing initiatives to improve the product mix. Strong volume growth was achieved in our higher value-added segments of personal care components, consumer laminates, technical films, and release liners. The favourable product mix and focus on value-added segments resulted in an improvement in our gross margin. On a like-for-like basis, excluding the impact of acquisitions and disposals, sales volumes grew around 4%. We remain well positioned for further growth.

The integration of the businesses acquired during 2015 is progressing well and we are realising the synergies from these acquisitions. Two further acquisitions were completed in 2016, growing our product offering and geographic reach. Mondi Kalenobel (Turkey) produces flexible consumer packaging for ice cream and other applications, as well as aseptic cartons, and serves both international FMCG companies and regional food and beverage producers. The company exports approximately half of its production - mainly to Western Europe, the Middle East, and North Africa. Mondi Uralplastic (Russia) manufactures a range of consumer flexible packaging products for food, personal care, homecare, and other applications for both local and international customers. A small net charge to underlying operating profit was incurred from these acquisitions in the second half of the year due to the effects of acquisition accounting and transaction costs.

In February 2017, we announced the acquisition of Excelsior Technologies Limited in the UK, further supporting the development of Consumer Packaging in high growth product applications. Excelsior is a vertically-integrated producer of innovative flexible packaging solutions, mainly for food applications, with a unique packaging technology for microwave steam cooking, complementing and enhancing our global food packaging offering.

We completed the closure of operations in Italy and Spain, announced in 2015, while retaining the ability to continue to serve customers from our sites in central and eastern Europe. During 2016, we further debottlenecked some of our plants and reallocated production between our sites to allow for site specialisation, optimised production activities, cost savings, productivity improvements, and reduced waste. In the US, we announced the restructuring of our release liner operations, including the closure of one site. We appointed a chief innovation officer and reorganised our research and development activities to further strengthen our capabilities in this area. Fixed costs were higher, in line with our increased focus on innovation and customer service, partially offset by one-off gains in the first half of the year.

Uncoated Fine Paper (Europe & International Division)

€ million	Year ended 31 December 2016	Year ended 31 December 2015	Change %	Six months ended 31 December 2016	Six months ended 31 December 2015	Change %
Segment revenue	**1,246**	1,233	1	**621**	607	2
Underlying EBITDA	**343**	291	18	**171**	139	23
Underlying operating profit	**264**	212	25	**131**	99	32
Underlying operating profit margin	**21.2%**	17.2%		**21.1%**	16.3%	
Capital expenditure	**53**	65		**26**	33	
Net segment assets	**851**	821				
ROCE	**36.0%**	25.6%				

Our Uncoated Fine Paper business delivered an exceptional performance, generating underlying operating profit of €264 million, up 25% on the prior year, with a ROCE of 36%. Domestic price increases in the CIS markets and a strong focus on productivity and efficiency more than offset negative currency effects from the weaker rouble and flat European pricing.

Uncoated fine paper sales volumes increased 1% over the prior year, reflecting a strong performance in an overall declining market. European market demand is estimated to have contracted in 2016 by 3-4%, following stable demand in 2015, bringing the average demand contraction over the past two years to 1-2% per year, in line with the longer-term trend. Demand in the CIS remained stable.

Benchmark average selling prices in Europe were similar to the prior year, but 2% down in the second half of the year compared to the first half. Selling price increases were implemented at the beginning of the year but came under pressure early in the second half due to weak European demand and pressure from imports offsetting the benefits of industry capacity rationalisation in the prior year. Demand improved towards the end of year and a price increase of 5-7% has been announced across all uncoated fine paper grades in Europe from February 2017.

Selling prices were increased in Russia at the beginning of 2016, offsetting the effects of domestic cost inflation. Prices remain stable going into 2017.

The business benefited from generally lower input costs, particularly energy costs. In Russia, wood costs were lower in rouble terms, while in Europe wood costs increased marginally. Our commercial excellence programmes, focused on purchased material, operating efficiencies and productivity improvements, contributed to good cost control, offsetting inflationary cost pressures, most notably in Russia. Hardwood pulp prices were 11% lower in euro terms providing a benefit to our semi-integrated Neusiedler (Austria) operations.

Planned maintenance shuts were completed at Syktyvkar in the first half of the year, at Ružomberok in both the first and second half, and at Neusiedler in the second half of the year. In 2017, our Syktyvkar shut is planned for the first half of the year and our Ružomberok and Neusiedler mill shuts are scheduled for the second half.

South Africa Division

€ million	Year ended 31 December 2016	Year ended 31 December 2015	Change %	Six months ended 31 December 2016	Six months ended 31 December 2015	Change %
Segment revenue	**594**	652	(9)	**304**	338	(10)
Underlying EBITDA	**182**	199	(9)	**68**	110	(38)
Underlying operating profit	**147**	161	(9)	**49**	92	(47)
Underlying operating profit margin	**24.7%**	24.7%		**16.1%**	27.2%	
Special items	**(6)**	—		**(6)**	—	
Capital expenditure	**58**	61		**33**	29	
Net segment assets	**731**	563				
ROCE	**27.8%**	30.1%				

Our South Africa Division was negatively affected by sharply lower average pulp export selling prices and higher input costs which were only partially offset by positive currency effects, a higher fair value gain on forestry assets and domestic price increases. Underlying operating profit of €147 million was down 9% on a very strong performance in the prior year and ROCE was 27.8%.

Strong domestic demand for uncoated fine paper and white-top kraftliner was met by reducing exports of these products and increasing the amount of pulp converted to these paper grades. Domestic demand for pulp decreased, compensated by a higher level of exports. Overall, sales volumes were marginally lower than in the prior year.

Domestic selling prices were higher across all our grades. Export prices for white-top kraftliner were broadly in line with the prior year and average benchmark US dollar pulp prices were around 11% lower than the previous year. Lower export prices were partially compensated by the weaker rand.

Forestry gains are dependent on a variety of factors over which we have limited control. In 2016, selling prices of timber increased significantly and a fair value gain of €64 million (2015: €40 million) was recognised, of which €48 million was recognised in the first half of the year. The increase in the fair value gain was offset by the consequent impact of higher felling costs.

Inflationary price increases in labour and electricity, higher wood costs mainly due to the forestry revaluation, and the impact of the weaker South African rand on imported materials put pressure on input costs. These impacts were partially mitigated by our focus on cost optimisation, driving efficiencies and reducing waste.

An extended planned maintenance shut at Richards Bay, which included the tie-in of our recent capital investments, took place during the second half of 2016 and a much shorter shut is planned for the second half of 2017.

Special items

Special items are those items of financial performance that we believe should be separately disclosed to assist in the understanding of our underlying financial performance. Special items are considered to be material either in nature or in amount.

The net special item charge of €38 million before tax comprised the following:

- Restructuring and closure costs of €17 million and related impairments of €15 million for the closure of an Industrial Bags (Fibre Packaging) plant in southern Belgium and restructuring of our US release liner business (Consumer Packaging), including the closure of one operation.

- In our South Africa Division, we took the decision to restart our second uncoated fine paper machine to meet domestic demand for reels and, at the same time, reduce our production of newsprint in response to declining demand. This gave rise to a further impairment of the newsprint assets of €7 million, the reversal of impairment of the uncoated fine paper assets of €2 million, and restructuring costs of €1 million.

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

Tax

Based on our geographic profit mix and the applicable tax rates, we would expect our tax rate to be around 22%. However, we benefited from tax incentives related to our capital investments in Slovakia, Poland and Russia. In addition, we recognised deferred tax assets related to previously unrecognised tax losses which we now expect to be able to utilise in the coming years. As such, our underlying tax charge for 2016 of €166 million (2015: €161 million) reflects an effective tax rate of 19%, consistent with 2015. Tax relief on special items amounted to €9 million (2015: €10 million).

Tax paid in 2016 of €173 million (2015: €160 million) is higher than the 2016 tax charge as a result of the timing of final tax payments for 2015 and earlier financial years.

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

Cash flow

Our cash generation remained strong. In 2016, the cash generated from our operations was €1,401 million, up 10%. On average over the last five years, cash generated from operations has increased by 10.5% per year.

Working capital as a percentage of revenue was 12%, marginally up on the prior year (11.6%). The net cash inflow from movements in working capital during the year was €68 million (2015: inflow of €9 million).

We paid dividends of €274 million to shareholders (2015: €209 million). Interest paid of €82 million (2015: €93 million) was lower than the prior year, mainly due to the lower average net debt and composition of our borrowings.

In 2016, we invested €465 million (2015: €595 million) in capital expenditure and completed four acquisitions with a total purchase price, on a debt and cash free basis, of €185 million.

Capital investments

Investing in our high-quality, low-cost assets to maintain and enhance our competitive advantage is of particular importance in our pulp and paper assets where products are generally more commoditised and low-cost production is key. Our focus is on enhancing our cost competitiveness, improving energy efficiency, meeting the needs of our customers and delivering organic growth in our packaging businesses.

Our disciplined approach to investigating, approving and executing capital projects is one of our key strengths and plays an important role in successfully delivering the returns we require. Over the last three years, our major capital projects have contributed around €150 million of incremental operating profit, including €50 million in 2016, and we expect to generate a further €30 million in 2017.

We are in the process of commissioning the second phase of our project at Świecie (Poland), which will provide an additional 100,000 tonnes per annum of softwood pulp and 80,000 tonnes per annum of lightweight kraftliner. At our Štětí mill (Czech Republic), the ramp-up of our rebuilt paper and inline coating machine has been slower than anticipated. We have allocated additional capital to meet quality requirements that are higher than the original project specifications, and expect to ramp up production over the course of 2017.

Towards the end of 2016 we completed the investment project to upgrade the woodyard at our Richards Bay mill (South Africa), which has significantly improved efficiencies at the mill and facilitated improved efficiencies in wood handling processes in our forests, providing higher-quality fibre, reduced maintenance costs, improved reliability, and some energy savings. Our investment to produce unbleached kraftliner in addition to white-top kraftliner at our Richards Bay mill gives us the opportunity to supply our customers with this specialised product.

In recent years, we have invested significantly in the modernisation and growth of our Corrugated Packaging and Consumer Packaging businesses. Looking forward, while still considering capital investment opportunities in these businesses, we are focused on the optimisation of our existing operations and recent investments.

We have a strong pipeline of large projects over the next few years:

- The new 300,000 tonne per annum kraft top white machine at Ružomberok (€310 million). This project remains subject to obtaining approval of tax incentives from the European Commission and necessary permitting.
- During 2016, the Boards approved a new woodyard and bleaching line modernisation at Štětí (€41 million).
- In January 2017, the Boards approved a further €470 million for the replacement of the recovery boiler at Štětí, the rebuild of the fibre lines, the debottlenecking of the paper machines and an investment in a new 90,000 tonnes per annum machine glazed speciality kraft paper machine. This project remains subject to obtaining tax incentives and necessary permitting.

Given the approved project pipeline, our annual capital expenditure is expected to be in the range of €600-650 million in 2017 and €800-850 million in 2018 as expenditure on these large projects accelerates.

Treasury and borrowings

Net debt at 31 December 2016 was down €115 million at €1,383 million (2015: €1,498 million), reflecting our strong cash generating capacity despite our ongoing capital expenditure programme and €185 million spent on acquisitions.

On 14 April 2016, we issued a 1.5% €500 million Eurobond with an eight year term under our European Medium Term Note Programme, thereby extending the Group's maturity profile and ensuring ample liquidity. At the end of the year, €812 million of our €2.5 billion committed debt facilities remained undrawn and we held net cash of €377 million. The weighted average maturity of our Eurobonds and committed debt facilities was 3.9 years at 31 December 2016. Gearing at 31 December 2016 was 27.2% and our net debt to 12 month trailing EBITDA ratio was 1.0 times, well within our key financial covenant requirement of 3.5 times.

Our credit ratings were reaffirmed during the year. Our credit rating from Standard & Poor's is BBB (stable outlook) and from Moody's Investors Service is Baa2 (stable outlook).

Net finance costs of €101 million were €4 million lower than the previous year. Average net debt of €1,476 million was 11% lower than the prior year and our effective interest rate was 6.2% (2015: 6.3%). Net finance costs are expected to reduce in 2017 due to the redemption of the April 2017 5.5% €500 million Eurobond from available cash and committed undrawn debt facilities.

Growing Responsibly

Our long-term success is dependent on our ability to integrate sustainability across the Group. This ensures that we can continue to address the risks and opportunities that arise from global environmental and societal trends, retain our competitive edge and generate value for our stakeholders. We believe that being part of the solution to global challenges will secure the long-term success of our business and secure the wellbeing of our communities and other stakeholders.

We have a strong track record of delivering on our sustainability commitments. At the end of 2015 we completed our previous commitment period and this year we launched our Growing Responsibly model. While growing responsibly has long been part of our philosophy, the model provides the business with a formal framework to demonstrate, monitor and improve the way sustainability is embedded in the business. The model includes 16 clearly defined 2020 commitments (the climate commitment runs to 2030) across 10 action areas.

With the resultant strong focus on a safe, fair and diverse workforce, working towards a more transparent and responsible supply chain, and continued commitment to minimising our climate footprint, we are able to address risks and opportunities across our business. A number of our recent, ongoing and planned capital expenditure projects will help us to meet our new commitments, particularly those relating to green energy and emissions reduction.

Our people are important to us, particularly when it comes to ensuring that everyone returns home safely to their families every day. It is very encouraging that the steps we have taken resulted in a significantly improved total recordable case rate in 2016. With zero harm our ultimate goal, we have been working hard to eliminate fatal and life-altering injuries. Our focus on the top fatal risks at all operations has allowed us to better anticipate and manage our highest risk activities - which usually occur during annual maintenance shuts and project implementation. These efforts thankfully contributed to us experiencing no fatalities or life-altering injuries during the year. Regrettably in February 2017 we suffered a fatality in our South African forestry operations following a timber vehicle accident. We remain determined to focus on top risks so that fatalities and life-altering injuries are not a part of our future.

Dividend

The Boards' aim is to offer shareholders long-term dividend growth within a targeted dividend cover range of two to three times over the business cycle. Given our strong financial position and the Boards' stated objective to increase distributions to shareholders through the ordinary dividend, the Boards have recommended an increase in the final dividend.

The Boards of Mondi Limited and Mondi plc have recommended a final dividend of 38.19 euro cents per share (2015: 37.62 euro cents per share), payable on 18 May 2017 to shareholders on the register on 21 April 2017. Together with the interim dividend of 18.81 euro cents per share, paid on 13 September 2016, this amounts to a total dividend for the year of 57.0 euro cents per share, an increase of 10% on the 2015 total dividend of 52.0 euro cents per share.

The final dividend is subject to the approval of the shareholders of Mondi Limited and Mondi plc at the respective Annual General Meetings scheduled for 11 May 2017.

Outlook

Our outlook for the business is positive. We have implemented or announced price increases in containerboard, sack kraft and uncoated fine paper grades, supported by good demand. We expect some inflationary cost pressures across the Group and a lower forestry fair value gain. Furthermore, we anticipate a more challenging trading environment in certain uncoated fine paper markets following price erosion in Europe over the course of 2016, combined with emerging market currency volatility. However, we expect to continue to benefit from contributions from our recently completed capital projects and acquisitions, together with steady organic growth in our downstream converting businesses.

Our consistent and focused strategy, robust business model and firm focus on operational excellence all continue to contribute to our performance. We remain confident of continuing to deliver industry-leading returns.

Principal risks and uncertainties

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

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

Strategic risks

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

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

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

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

We monitor industry developments in terms of changes in capacity and utilisation levels, as well as trends and developments in our own product markets.

Our strategic focus on low-cost production and innovation activities to produce higher value added products, combined with our focus on growing markets and consistent investment in our operating capacity, ensures that we remain competitive.

Product substitution
Changing global socio-economic and demographic trends and consumption patterns and increased public awareness of sustainability challenges affect the demand for Mondi's products. Customers' needs and purchasing power are changing in emerging markets. Substitution may be to different products not produced by Mondi or to different solutions meeting the same customer requirement. Factors that impact the demand for our products include reduced weight of packaging materials, increased use of recycled materials, electronic substitution of paper products, increased demand for high-quality printed material, certified and responsibly produced goods, and specific material qualities.

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

Fluctuations and variability in selling prices or gross margins
Our selling prices are determined by changes in capacity and demand for our products, which are, in turn, influenced by macro-economic conditions, consumer spending preferences, and inventory levels maintained by our customers. Changes in prices differ between products and geographic regions and the timing and magnitude of such changes have varied significantly over time.

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, low-cost production assets to ensure we maintain our competitive cost position. We are committed to meeting service levels and product quality requirements. Our high levels of vertical integration reduce our exposure to price volatility of our key input costs. Our financial policies and structures take the inherent price volatility of the markets in which we operate into consideration.

Country risk
We have production operations across more than 30 countries; some in jurisdictions where the political, economic, and legal systems are less predictable than in countries with more developed institutional structures. Political or economic upheaval, inflation, changes in laws, nationalisation, or expropriation of assets may have a material effect on our operations in those countries.

Despite improvements in certain segments of the global economy, uncertainties remain over slowing growth, political and economic structural weakness in the eurozone's single currency framework, and uncertainty over the outcomes of the UK's decision to exit from the European Union.

Areas of weaker governance also present the challenge of addressing potential human rights issues in our operations and supply chain. The introduction of the UK Modern Slavery Act 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. From a human capital perspective, we face different demographic and social conditions in each country which affects the availability of skills and talent for the Group.

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

We are in the process of reviewing how we assess, monitor, and manage risks in our supply chain, including the use of country-based risk assessment tools and databases. We actively engage with our employees, communities and other stakeholders for a better understanding of local socio-economic conditions and development needs. Our geographic diversity and decentralised management structure, utilising local resources in countries in which we operate, reduces our exposure to any specific jurisdiction.

Financial risks

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

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

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

We operate a central treasury function under a board-approved treasury policy. We provide regular reporting to the Boards on our treasury management policies. We aim to maintain an investment grade credit rating and we have access to a variety of sources of funding with varying maturities. We only enter into contracts relating to financial instruments with counterparties that have investment grade credit ratings.

Currency risk
We operate in more than 30 countries and are thus exposed to the effect of changes in foreign currency rates. The impact of currency fluctuations affect us because of mismatches between the currencies in which our operating costs are incurred and those in which revenues are received. Key operating cost currencies that are not fully offset by local currency denominated revenues include the South African rand, Polish zloty, Swedish krona, and Czech koruna; while the revenues generated in US dollar, Russian rouble and UK pound sterling are greater than operating costs incurred in those currencies. In addition, appreciation of the euro compared with the currencies of the other key paper producing regions or paper pricing currencies, notably the US dollar, would reduce the competitiveness of the products Mondi produces in Europe compared to imports from such key paper-producing regions which could potentially lead to lower revenues and earnings.

We fund our entities in their local currencies to minimise translation risk. This exposes us to interest rate risk from these currencies which we aim to manage through interest rate swaps and fixed rate borrowings. Balance sheet exposure and material forecast future capital expenditure transactions are hedged. We do not permit speculative currency positions. We do not hedge our exposure to projected future sales or purchases and our businesses respond to currency fluctuations through changes in selling prices or increasing the level of exports where competitiveness improves as currencies weaken. Our strategic focus on low-cost production assets and operational efficiency provide inherent cost advantages, protecting us from adverse currency fluctuations.

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

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

Operational risks

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

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

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

We are committed to acquiring our raw materials from sustainable, responsible sources and avoiding the use of any controversial or illegal supply. We are involved in multi-stakeholder processes to address challenges in meeting the global demand for sustainable, responsible fibre and we encourage legislation supporting the local collection of recycled materials. The sustainable management of our forestry operations is key in managing our overall environmental impact, helping to protect ecosystems, and developing resilient landscapes. We have built strong forestry management resources in Russia and South Africa to actively monitor and manage our wood resources in those countries. We have multiple suppliers for each of our operations and our centralised procurement teams work closely with our operations in actively pursuing longer term agreements with strategic suppliers. We have developed an internal monitoring and risk assessment system to understand and manage the performance of our suppliers and their adherence to our Suppliers' Code of Conduct.

Energy security and related input costs

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

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

Technical integrity of our operating assets

We have five major mills which account for approximately 74% of our total pulp and paper production capacity and a significant consumer packaging manufacturing facility in Germany. If operations at any of these key facilities are interrupted for any significant length of time, it could have a material adverse effect on our financial position or performance. Accidents or incidents such as fires, explosions, or large machinery breakdowns could result in property damage, loss of production, reputational damage, and/or safety incidents.

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

Environmental impact of our operations

We operate in a high-impact sector and need to manage the associated risks and responsibilities. Our operations are water, carbon and energy intensive; consume materials such as fibre, polymers, metals and chemicals; and generate emissions to air, water and land. We are the custodian of more than two million hectares of forested land. We are subject to a wide range of international, national and local environmental laws and regulations, as well as the requirements of our customers and expectations of our broader stakeholders. Costs of continuing compliance, potential restoration and clean-up activities, and increasing costs from the effects of emissions have an adverse impact on our profitability.

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 focus on increasing the energy efficiency of our operations and using biomass-based fuels in order to reduce our use of fossil-based energy sources. We have undertaken detailed compliance assessments regarding Industry Emissions and Energy Efficiency Directives to determine future investment requirements. We emphasise the responsible management of forests and associated ecosystems and protect high conservation value areas.

Employee and contractor safety

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

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

Compliance risks

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

Reputational risk

Non-compliance with the legal and governance requirements and globally established responsible business conduct in any of the jurisdictions in which we operate and within our supply chain could expose us to significant risk if not actively managed. These requirements include laws relating to the environment, exports, price controls, taxation, 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.

We operate a comprehensive training and compliance programme, supported by self-certification and reporting, with personal sanction for failure to comply with Group policies. Our legal and governance compliance is supported by a centralised legal compliance team and is subject to regular internal audit review. We operate a confidential reporting hotline, Speakout, enabling employees, customers, suppliers, managers and other stakeholders to raise concerns about conduct that may be contrary to our values. We increasingly work with our suppliers to promote responsible business conduct in the value chain.

Information technology risk

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

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

Going concern

The directors have reviewed the Group's budget, considered the assumptions contained in the budget, and reviewed the critical 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 2016, Mondi had €812 million of undrawn, committed debt facilities. The Group's debt facilities have maturity dates of between 1 and 9 years, with a weighted average maturity of 3.9 years.

Based on their evaluation, the Boards are satisfied that the Group remains solvent and has adequate liquidity to meet its obligations and continue in operational existence for the foreseeable future.

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

Contact details

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Conference call dial-in and webcast details

Please see below details of our dial-in conference call and webcast that will be held at 08.30 (UK) and 10.30 (SA).

The conference call dial-in numbers are:

South Africa	0800 200 648 (toll-free)
UK	0808 162 4061 (toll-free)
Europe/ other	00800 246 78 700 (toll-free)

The webcast will be available via www.mondigroup.com/FYResults16.

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

Should you have any issues on the day with accessing the dial-in conference call, please call +27 11 535 3600.

Should you have any issues on the day with accessing the webcast, please e-mail mondi@kraftwerk.co.at and you will be contacted immediately.

A video recording of the presentation will be available on Mondi's website during the afternoon of 23 February 2017.

Directors' responsibility statement

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

The responsibility statement has been prepared in connection with the Group's Integrated report and financial statements 2016, extracts of which are included within this announcement.

The directors confirm that to the best of their knowledge:

- the condensed combined and consolidated financial statements have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS) and are derived from the audited combined and consolidated financial statements of the Group, prepared in accordance with IFRS. (They do not contain sufficient information to comply with IFRS.)
- the Group's combined and consolidated financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Strategic report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties they face;
- the Integrated report and financial statements 2016, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's performance, business model and strategy;
- there have been no significant individual related party transactions during the year; and
- there have been no significant changes in the Group's related party relationships from that reported in the half-yearly results for the six months ended 30 June 2016.

The Group's condensed combined and consolidated financial statements, and related notes, including this responsibility statement, were approved by the Boards and authorised for issue on 22 February 2017 and were signed on their behalf by:

David Hathorn
Director

Andrew King
Director

Audited financial information

The condensed combined and consolidated financial statements and notes 1 to 19 for the year ended 31 December 2016 have been audited by the Group's auditors, Deloitte LLP and Deloitte & Touche. Their unmodified audit reports are available for inspection at the Group's registered offices.

Condensed combined and consolidated income statement

for the year ended 31 December 2016

€ million	Notes	2016 Underlying	2016 Special items (Note 4)	2016 Total	2015 Underlying	2015 Special items (Note 4)	2015 Total
Group revenue	3	**6,662**	**—**	**6,662**	**6,819**	**—**	**6,819**
Materials, energy and consumables used		(3,249)	—	(3,249)	(3,413)	—	(3,413)
Variable selling expenses		(499)	—	(499)	(512)	—	(512)
Gross margin		**2,914**	**—**	**2,914**	**2,894**	**—**	**2,894**
Maintenance and other indirect expenses		(301)	—	(301)	(308)	—	(308)
Personnel costs		(996)	(13)	(1,009)	(1,003)	(28)	(1,031)
Other net operating expenses		(251)	(5)	(256)	(258)	(25)	(283)
Depreciation, amortisation and impairments		(385)	(20)	(405)	(368)	(4)	(372)
Operating profit		**981**	**(38)**	**943**	**957**	**(57)**	**900**
Net profit from equity accounted investees		1	—	1	1	—	1
Profit before net finance costs		**982**	**(38)**	**944**	**958**	**(57)**	**901**
Net finance costs	6	(101)	—	(101)	(105)	—	(105)
Profit before tax		**881**	**(38)**	**843**	**853**	**(57)**	**796**
Tax charge	7	(166)	9	(157)	(161)	10	(151)
Profit for the year		**715**	**(29)**	**686**	**692**	**(47)**	**645**
Attributable to:							
Non-controlling interests		**48**		**48**	**45**		**45**
Shareholders		**667**		**638**	**647**		**600**
Earnings per share (EPS) attributable to shareholders (euro cents)							
Basic EPS	8			**131.8**			**124.0**
Diluted EPS	8			**131.7**			**123.7**
Basic underlying EPS	8			**137.8**			**133.7**
Diluted underlying EPS	8			**137.7**			**133.4**
Basic headline EPS	8			**135.9**			**123.4**
Diluted headline EPS	8			**135.8**			**123.1**

Condensed combined and consolidated statement of comprehensive income

for the year ended 31 December 2016

€ million	2016 Before tax amount	2016 Tax benefit	2016 Net of tax amount	2015 Before tax amount	2015 Tax expense	2015 Net of tax amount
Profit for the year			**686**			**645**
Items that may subsequently be reclassified to the combined and consolidated income statement						
Cash flow hedges	—	—	—	(1)	—	(1)
Gains on available-for-sale investments	1	—	1	—	—	—
Exchange differences on translation of foreign operations	150	—	150	(122)	—	(122)
Items that will not subsequently be reclassified to the combined and consolidated income statement						
Remeasurements of retirement benefits plans	(19)	4	(15)	27	(3)	24
Other comprehensive income/(expense) for the year	**132**	**4**	**136**	**(96)**	**(3)**	**(99)**
Other comprehensive income/(expense) attributable to:						
Non-controlling interests	(4)	—	**(4)**	(4)	—	(4)
Shareholders	136	4	**140**	(92)	(3)	(95)
Total comprehensive income attributable to:						
Non-controlling interests			**44**			**41**
Shareholders			**778**			**505**
Total comprehensive income for the year			**822**			**546**

Condensed combined and consolidated statement of financial position

as at 31 December 2016

€ million	Notes	2016	2015
Property, plant and equipment		3,788	3,554
Goodwill		681	590
Intangible assets		120	105
Forestry assets	10	316	219
Other non-current assets		61	58
Total non-current assets		**4,966**	**4,526**
Inventories		850	838
Trade and other receivables		1,049	994
Cash and cash equivalents	14b	404	64
Other current assets		41	47
Total current assets		**2,344**	**1,943**
Total assets		**7,310**	**6,469**
Short-term borrowings	11	(651)	(250)
Trade and other payables		(1,100)	(1,038)
Other current liabilities		(167)	(165)
Total current liabilities		**(1,918)**	**(1,453)**
Medium and long-term borrowings	11	(1,119)	(1,319)
Net retirement benefits liability	12	(240)	(212)
Deferred tax liabilities		(267)	(241)
Other non-current liabilities		(70)	(57)
Total non-current liabilities		**(1,696)**	**(1,829)**
Total liabilities		**(3,614)**	**(3,282)**
Net assets		**3,696**	**3,187**
Equity			
Share capital and stated capital		542	542
Retained earnings and other reserves		2,850	2,363
Total attributable to shareholders		**3,392**	**2,905**
Non-controlling interests in equity		304	282
Total equity		**3,696**	**3,187**

The Group's condensed combined and consolidated financial statements, and related notes 1 to 19, were approved by the Boards and authorised for issue on 22 February 2017 and were signed on their behalf by:

David Hathorn
Director

Andrew King
Director

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

Condensed combined and consolidated statement of changes in equity

for the year ended 31 December 2016

€ million	Equity attributable to shareholders	Non-controlling interests	Total equity
At 1 January 2015	2,628	266	**2,894**
Total comprehensive income for the year	505	41	**546**
Dividends paid	(209)	(25)	**(234)**
Purchases of treasury shares	(31)	—	**(31)**
Other	12	—	**12**
At 31 December 2015	2,905	282	**3,187**
Total comprehensive income for the year	778	44	**822**
Dividends paid	(274)	(32)	**(306)**
Purchases of treasury shares	(20)	—	**(20)**
Other	3	10	**13**
At 31 December 2016	**3,392**	**304**	**3,696**

Equity attributable to shareholders

€ million	2016	2015
Combined share capital and stated capital	542	542
Treasury shares	(24)	(29)
Retained earnings	3,217	2,868
Cumulative translation adjustment reserve	(536)	(685)
Post-retirement benefits reserve	(75)	(65)
Share-based payment reserve	22	20
Cash flow hedge reserve	(2)	(2)
Merger reserve	259	259
Put option liability reserve	(9)	—
Other sundry reserves	(2)	(3)
Total	**3,392**	**2,905**

Condensed combined and consolidated statement of cash flows

for the year ended 31 December 2016

€ million	Notes	2016	2015
Cash flows from operating activities			
Cash generated from operations	14a	1,401	1,279
Dividends received from equity accounted investees		1	—
Income tax paid		(173)	(160)
Net cash generated from operating activities		**1,229**	**1,119**
Cash flows from investing activities			
Investment in property, plant and equipment		(465)	(595)
Investment in intangible assets		(13)	(9)
Investment in forestry assets		(45)	(41)
Acquisition of subsidiaries, net of cash and cash equivalents	13	(162)	(72)
Proceeds from the disposal of businesses, net of cash and cash equivalents		—	38
Other investing activities		20	46
Net cash used in investing activities		**(665)**	**(633)**
Cash flows from financing activities			
Proceeds from medium and long-term borrowings		501	2
Repayment of medium and long-term borrowings		(166)	(221)
(Repayment of)/proceeds from short-term borrowings	14c	(152)	52
Interest paid		(82)	(93)
Dividends paid to shareholders	9	(274)	(209)
Dividends paid to non-controlling interests		(33)	(26)
Purchases of treasury shares		(20)	(31)
Other financing activities		7	72
Net cash used in financing activities		**(219)**	**(454)**
Net increase in cash and cash equivalents		**345**	**32**
Cash and cash equivalents at beginning of year		36	9
Cash movement in the year	14c	345	32
Effects of changes in foreign exchange rates	14c	(4)	(5)
Cash and cash equivalents at end of year	14b	**377**	**36**

Notes to the condensed combined and consolidated financial statements
for the year ended 31 December 2016

1 Basis of preparation

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

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

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

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2016 or 2015 but is derived from those accounts. Statutory accounts for 2015 have been delivered to the Registrar of Companies, and those for 2016 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the UK Companies Act 2006. Copies of their unqualified auditors' reports on the Integrated report and financial statements 2016 as well as the condensed combined and consolidated financial statements are available for inspection at the Mondi Limited and Mondi plc registered offices.

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

2 Accounting policies

The same accounting policies, methods of computation and presentation have been followed in the preparation of the condensed combined and consolidated financial statements as were applied in the preparation of the Group's annual financial statements for the year ended 31 December 2015, except that the quantitative threshold for recognition of special items incurred after 1 January 2016 has been increased to €10 million (2015: €5 million). Subsequent adjustments to items previously recognised as special items continue to be reflected as special items in future periods even if they do not exceed the reporting threshold.

3 Operating segments

Identification of the Group's externally reportable operating segments

The Group's operating segments are reported in a manner consistent with the internal reporting provided to the DLC executive committee, the chief operating decision-making body. Due to its unique characteristics in terms of geography, currency and underlying risks, the South Africa Division is managed and reported as a separate geographic segment. The remaining operating segments, consolidated as the Europe & International Division, are managed based on the nature of the underlying products produced by those businesses and comprise four distinct segments.

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

3 Operating segments (continued)

Year ended 31 December 2016

€ million, unless otherwise stated	Europe & International: Packaging Paper	Fibre Packaging	Consumer Packaging	Uncoated Fine Paper	South Africa Division	Corporate	Intersegment elimination	Segments total
Segment revenue	2,056	1,929	1,562	1,246	594	—	(725)	**6,662**
Internal revenue	(585)	(32)	(4)	(4)	(100)	—	725	**—**
External revenue	1,471	1,897	1,558	1,242	494	—	—	**6,662**
Underlying EBITDA	483	194	198	343	182	(34)	—	**1,366**
Depreciation and impairments	(118)	(66)	(59)	(77)	(35)	(1)	—	**(356)**
Amortisation	(4)	(5)	(18)	(2)	—	—	—	**(29)**
Underlying operating profit	361	123	121	264	147	(35)	—	**981**
Special items	—	(13)	(19)	—	(6)	—	—	**(38)**
Operating segment assets	2,092	1,315	1,502	1,064	857	4	(178)	**6,656**
Operating net segment assets	1,760	1,006	1,270	851	731	—	—	**5,618**
Additions to non-current non-financial assets	149	161	217	50	103	—	—	**680**
Capital expenditure cash payments	156	107	91	53	58	—	—	**465**
Operating margin (%)	*17.6*	*6.4*	*7.7*	*21.2*	*24.7*	—	—	***14.7***
Return on capital employed (%)	*22.4*	*13.5*	*10.5*	*36.0*	*27.8*	—	—	***20.3***
Average number of employees (thousands)	5.0	7.7	5.3	5.6	1.7	0.1	—	**25.4**

Year ended 31 December 2015

€ million, unless otherwise stated	Europe & International: Packaging Paper	Fibre Packaging	Consumer Packaging	Uncoated Fine Paper	South Africa Division	Corporate	Intersegment elimination	Segments total
Segment revenue	2,156	2,031	1,469	1,233	652	—	(722)	**6,819**
Internal revenue	(574)	(37)	(4)	(6)	(101)	—	722	**—**
External revenue	1,582	1,994	1,465	1,227	551	—	—	**6,819**
Underlying EBITDA	505	187	177	291	199	(34)	—	**1,325**
Depreciation and impairments	(111)	(63)	(54)	(77)	(38)	(1)	—	**(344)**
Amortisation	(3)	(4)	(15)	(2)	—	—	—	**(24)**
Underlying operating profit	391	120	108	212	161	(35)	—	**957**
Special items	(14)	(21)	(22)	—	—	—	—	**(57)**
Operating segment assets	2,094	1,224	1,333	1,001	669	6	(168)	**6,159**
Operating net segment assets	1,753	935	1,146	821	563	1	—	**5,219**
Additions to non-current non-financial assets	281	118	173	56	104	1	—	**733**
Capital expenditure cash payments	259	118	92	65	61	—	—	**595**
Operating margin (%)	*18.1*	*5.9*	*7.4*	*17.2*	*24.7*	—	—	**14.0**
Return on capital employed (%)	*25.5*	*13.9*	*10.7*	*25.6*	*30.1*	—	—	**20.5**
Average number of employees (thousands)	5.3	7.7	4.6	6.0	1.6	0.1	—	**25.3**

3 Operating segments (continued)

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

€ million	2016	2015
Underlying EBITDA	**1,366**	**1,325**
Depreciation and impairments	(356)	(344)
Amortisation	(29)	(24)
Underlying operating profit	**981**	**957**
Special items (see note 4)	(38)	(57)
Net profit from equity accounted investees	1	1
Net finance costs	(101)	(105)
Profit before tax	**843**	**796**

Reconciliation of operating segment assets

	2016		2015	
€ million	Segment assets	Net segment assets	Segment assets	Net segment assets
Segments total	**6,656**	**5,618**	**6,159**	**5,219**
Unallocated				
Investment in equity accounted investees	9	9	9	9
Deferred tax assets/(liabilities)	26	(241)	23	(218)
Other non-operating assets/(liabilities)	209	(307)	201	(325)
Group capital employed	**6,900**	**5,079**	**6,392**	**4,685**
Financial instruments/(net debt)	410	(1,383)	77	(1,498)
Total assets/equity	**7,310**	**3,696**	**6,469**	**3,187**

	External revenue by location of production		External revenue by location of customer	
€ million	2016	2015	2016	2015
Revenue				
Africa				
South Africa	594	652	407	465
Rest of Africa	13	13	200	205
Africa total	607	665	607	670
Western Europe				
Austria	1,018	981	143	144
Germany	897	964	929	960
United Kingdom	33	39	224	252
Rest of western Europe	529	607	1,278	1,360
Western Europe total	2,477	2,591	2,574	2,716
Emerging Europe				
Poland	900	909	546	515
Rest of emerging Europe	1,246	1,225	883	877
Emerging Europe total	2,146	2,134	1,429	1,392
Russia	760	674	602	535
North America	588	664	729	771
South America	—	—	70	72
Asia and Australia	84	91	651	663
Group total	**6,662**	**6,819**	**6,662**	**6,819**

4 Special items

€ million	2016	2015
Operating special items		
Impairment of assets	(22)	(4)
Reversal of impairment of assets	2	—
Restructuring and closure costs:		
Personnel costs	(13)	(28)
Other restructuring and closure costs	(5)	(17)
Adjustments relating to 2012 Nordenia acquisition	—	(8)
Total special items before tax and non-controlling interests	**(38)**	**(57)**
Tax credit (see note 7)	9	10
Total special items attributable to shareholders	**(29)**	**(47)**

Operating special items
Restructuring and closure costs and related impairments during the year comprise:

- Fibre Packaging
    - Closure of an industrial bags plant in southern Belgium. Restructuring costs of €10 million and impairment of assets of €3 million were recognised.
- Consumer Packaging
    - Restructuring of release liner operations in USA, including closure of one site. Restructuring costs of €7 million and impairment of assets of €12 million were recognised.
- South Africa Division
    - Further impairment of newsprint assets of €7 million.
    - Partial reversal of impairment of uncoated fine paper machine previously impaired of €2 million.
    - Restructuring costs of €1 million.

5 Write-down of inventories to net realisable value

€ million	2016	2015
Write-down of inventories to net realisable value	(29)	(24)
Aggregate reversal of previous write-down of inventories	18	19

6 Net finance costs

Net finance costs are presented below:

€ million	2016	2015
Investment income		
Investment income	**5**	**4**
Foreign currency losses		
Foreign currency losses	**(4)**	**—**
Finance costs		
Interest expense		
Interest on bank overdrafts and loans	(97)	(107)
Net interest expense on net retirement benefits liability	(10)	(9)
Total interest expense	**(107)**	**(116)**
Less: Interest capitalised	5	7
Total finance costs	**(102)**	**(109)**
Net finance costs	**(101)**	**(105)**

The weighted average interest rate applicable to capitalised interest on general borrowings for the year ended 31 December 2016 is 7.15% (2015: 7.08%) and was related to investments in Poland, Russia, the Czech Republic and South Africa.

7 Tax charge

The Group's effective rate of tax before special items for the year ended 31 December 2016, calculated on profit before tax before special items and including net profit from equity accounted investees, was 19% (2015: 19%).

€ million	2016	2015
UK corporation tax at 20% (2015: 20.25%)	1	1
SA corporation tax at 28% (2015: 28%)	22	35
Overseas tax	134	136
Current tax in respect of prior years	5	1
Current tax	**162**	**173**
Deferred tax in respect of the current year	28	24
Deferred tax in respect of prior years	(22)	(36)
Deferred tax attributable to a change in the rate of domestic income tax	(2)	—
Total tax charge before special items	**166**	**161**
Current tax on special items	(1)	(2)
Deferred tax on special items	(8)	(8)
Total tax credit on special items (see note 4)	**(9)**	**(10)**
Total tax charge	**157**	**151**

8 Earnings per share

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	2016	2015
Profit for the year attributable to shareholders	**638**	**600**
Special items (see note 4)	38	57
Related tax (see note 4)	(9)	(10)
Underlying earnings for the year	**667**	**647**
Special items not excluded from headline earnings	(18)	(53)
Profit on disposal of property, plant and equipment	—	(13)
Impairments not included in special items	5	3
Related tax	4	13
Headline earnings for the year	**658**	**597**

	Weighted average number of shares	
million	2016	2015
Basic number of ordinary shares outstanding	**484.2**	**483.9**
Effect of dilutive potential ordinary shares	0.3	1.1
Diluted number of ordinary shares outstanding	**484.5**	**485.0**

9 Dividends

An interim dividend for the year ended 31 December 2016 of 288.84260 rand cents/18.81 euro cents per share was paid on 13 September 2016 to all Mondi Limited and Mondi plc ordinary shareholders on the relevant registers on 19 August 2016.

A proposed final dividend for the year ended 31 December 2016 of 38.19 euro cents per ordinary share will be paid on 18 May 2017 to those shareholders on the register of Mondi plc on 21 April 2017. An equivalent South African rand final dividend will be paid on 18 May 2017 to shareholders on the register of Mondi Limited on 21 April 2017. The final dividend is subject to the approval of the shareholders of Mondi Limited and Mondi plc at the respective annual general meetings scheduled for 11 May 2017.

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

euro cents per share	2016	2015
Final dividend paid (in respect of prior year)	37.62	28.77
Interim dividend paid	18.81	14.38
Final dividend proposed for the year ended 31 December	**38.19**	**37.62**

€ million	2016	2015
Final dividend paid (in respect of prior year)	183	140
Interim dividend paid	91	69
Total dividends paid	**274**	**209**
Final dividend proposed for the year ended 31 December	**185**	**182**
Declared by Group companies to non-controlling interests	32	25

Dividend timetable

The proposed final dividend for the year ended 31 December 2016 of 38.19 euro cents per share will be paid in accordance with the following timetable:

	Mondi Limited	Mondi plc
Last date to trade shares cum-dividend		
JSE Limited	18 April 2017	18 April 2017
London Stock Exchange	Not applicable	19 April 2017
Shares commence trading ex-dividend		
JSE Limited	19 April 2017	19 April 2017
London Stock Exchange	Not applicable	20 April 2017
Record date		
JSE Limited	21 April 2017	21 April 2017
London Stock Exchange	Not applicable	21 April 2017
Last date for receipt of Dividend Reinvestment Plan (DRIP) elections by Central Securities Depository Participants	26 April 2017	26 April 2017
Last date for DRIP elections to UK Registrar and South African Transfer Secretaries by shareholders of Mondi Limited and Mondi plc	28 April 2017	23 April 2017*
Payment Date		
South African Register	18 May 2017	18 May 2017
UK Register	Not applicable	18 May 2017
DRIP purchase settlement dates (subject to the purchase of shares in the open market)	24 May 2017	22 May 2017**
Currency conversion date		
ZAR/euro	23 February 2017	23 February 2017
Euro/sterling	Not applicable	2 May 2017

*28 April 2017 for Mondi plc South African branch register shareholders

**24 May 2017 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 19 April 2017 and 23 April 2017, both dates inclusive, nor may transfers between the UK and South African registers of Mondi plc take place between 12 April 2017 and 23 April 2017, both dates inclusive.

Information relating to the dividend tax to be withheld from Mondi Limited shareholders and Mondi plc shareholders on the South African branch register will be announced separately, together with the ZAR/euro exchange rate to be applied, on or shortly after 23 February 2017.

10 Forestry assets

€ million	2016	2015
At 1 January	219	235
Capitalised expenditure	39	38
Acquisition of assets	6	3
Fair value gains	64	40
Disposal of assets	(1)	(1)
Felling costs	(57)	(51)
Currency movements	46	(45)
At 31 December	**316**	**219**
Comprising		
Mature	193	139
Immature	123	80
Total forestry assets	**316**	**219**

The fair value of forestry assets is a level 3 measure in terms of the fair value measurement hierarchy (see note 17), consistent with prior years. The fair value of forestry assets is calculated on the basis of future expected net cash flows arising on the Group's owned forestry assets, discounted based on a pre tax yield on long-term bonds.

11 Borrowings

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

€ million	Maturity	Interest rate %	2016	2015
Financing facilities				
Syndicated Revolving Credit Facility	July 2021	EURIBOR/LIBOR + margin	750	750
€500 million Eurobond	April 2017	5.75%	500	500
€500 million Eurobond	September 2020	3.375%	500	500
€500 million Eurobond	April 2024	1.50%	500	—
European Investment Bank Facility	June 2025	EURIBOR + margin	81	90
Export Credit Agency Facility	June 2020	EURIBOR + margin	53	72
Other	Various	Various	113	90
Total committed facilities			**2,497**	**2,002**
Drawn			(1,685)	(1,404)
Total committed facilities available			**812**	**598**

On 14 April 2016 Mondi issued a 1.5% €500 million Eurobond with an eight-year term under its Euro Medium Term Note Programme.

The €500 million Eurobonds maturing in 2017 and 2020 contain a coupon step-up clause whereby the coupon will be increased by 1.25% per annum if Mondi 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 (Baa2, stable outlook) and Standard & Poor's (BBB, stable outlook).

	2016			2015		
€ million	Current	Non-current	Total	Current	Non-current	Total
Secured	1	2	**3**	3	3	**6**
Unsecured						
Bonds	500	995	1,495	—	996	996
Bank loans and overdrafts	150	110	260	247	306	553
Other loans	—	12	12	—	14	14
Total unsecured	650	1,117	**1,767**	247	1,316	**1,563**
Total borrowings	**651**	**1,119**	**1,770**	**250**	**1,319**	**1,569**

11 Borrowings (continued)

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

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

2015/€ million	Floating rate borrowings	Fixed rate borrowings	Non-interest bearing borrowings	Total carrying value	Fair value
Euro	278	1,002	—	1,280	1,363
Pounds sterling	159	—	—	159	159
South African rand	36	—	6	42	42
Polish zloty	32	2	—	34	34
Turkish lira	33	—	—	33	33
Other currencies	11	10	—	21	22
Carrying value	**549**	**1,014**	**6**	**1,569**	
Fair value	**549**	**1,098**	**6**		**1,653**

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

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

€ million	2016	2015
Short-dated contracts with tenures of less than 12 months		
Pounds sterling	12	(148)
Czech koruna	188	200
Polish zloty	317	250
Russian rouble	27	86
Swedish krona	39	42
US dollar	119	104
Other	96	57
Total swapped	**798**	**591**

12 Retirement benefits

All assumptions related to the Group's defined benefit schemes and post-retirement medical plan liabilities were re-assessed individually for the year ended 31 December 2016. The net retirement benefit liability increased by €30 million mainly due to changes in assumptions. The assets backing the defined benefit scheme liabilities reflect their market values as at 31 December 2016. Net remeasurement losses arising from changes in assumptions amounting to €10 million have been recognised in the condensed combined and consolidated statement of comprehensive income.

13 Business combinations

To 31 December 2016

Acquisition of SIMET S.A. (Poland)
Mondi acquired 100% of the outstanding share capital of SIMET S.A. (SIMET) on 27 April 2016 for a consideration of €13 million on a debt and cash-free basis. SIMET is a corrugated plant that produces a wide range of flexo printed packaging. Mondi intends to expand and upgrade this operation to a high-efficiency, heavy-duty box plant, including the addition of a corrugator line for on-site board production. The acquisition strengthens Mondi's Corrugated Packaging market position in central and emerging Europe.

SIMET's revenue for the year ended 31 December 2016 was €17 million with a profit after tax of €nil. SIMET's revenue of €11 million and profit after tax of €nil since the date of acquisition have been included in the condensed combined and consolidated income statement.

Acquisition of Kale Nobel Ambalaj Sanayi ve Ticaret Anonim Sirketi (Turkey)
On 12 July, Mondi acquired a 90% interest in Kale Nobel Ambalaj Sanayi ve Ticaret Anonim Sirketi (Kalenobel) for a consideration of €90 million on a debt and cash-free basis. Kalenobel is a consumer packaging company focused on the manufacture of flexible consumer packaging for ice cream and other applications as well as aseptic cartons. The acquisition supports Mondi's growing Consumer Packaging business. The non-controlling interest holder has an option to put its shares to Mondi until June 2021, but not before March 2018, at a price determined based on future earnings, but capped at TRY100 million (€27 million).

Kalenobel's revenue for the year ended 31 December 2016 was €72 million with a profit after tax of €5 million. Kalenobel's revenue of €27 million and loss after tax of €2 million since the date of acquisition have been included in the condensed combined and consolidated income statement.

Acquisition of ZAO Uralplastic-N (Russia)
On 15 July, Mondi acquired a 100% interest in ZAO Uralplastic-N (Uralplastic) for a consideration of RUB2,949 million (€41 million) on a debt and cash-free basis. Uralplastic manufactures a range of consumer flexible packaging products for food, hygiene, homecare and other applications and the acquisition supports Mondi's growing Consumer Packaging business.

Uralplastic's revenue for the year ended 31 December 2016 was €34 million with a loss after tax of €2 million. Uralplastic's revenue of €19 million and loss after tax of €2 million since the date of acquisition have been included in the condensed combined and consolidated income statement.

Acquisition of LLC Beepack (renamed LLC Mondi Lebedyan) (Russia)
On 20 October, Mondi acquired 100% of the outstanding share capital of LLC Beepack (Lebedyan) for a consideration of RUB2,825 million (€41 million) on a debt and cash-free basis.

Lebedyan produces a range of corrugated packaging trays and boxes for food and agricultural products including beverages, fruit and vegetables, poultry and dairy. Customers include local Russian and international producers. The acquisition of Lebedyan supports the ongoing development of Mondi's Corrugated Packaging business in central and eastern Europe.

Lebedyan's revenue for the year ended 31 December 2016 was €38 million with a profit after tax of €3 million. Lebedyan's revenue of €8 million and profit after tax of €1 million since the date of acquisition have been included in the condensed combined and consolidated income statement.

13 Business combinations (continued)

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

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

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

Transaction costs of €5 million were charged to the condensed combined and consolidated income statement.

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

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

Purchase price adjustment of KSP
In accordance with the KSP purchase agreement, a payment of €13 million has been recognised in the current year, and reflected as an adjustment to Goodwill recognised.

13 Business combinations (continued)

To 31 December 2015

Mondi acquired 100% of the outstanding share capital of Ascania nonwoven Germany GmbH (Ascania) (Germany) on 2 November 2015 for a consideration of €53 million on a debt and cash-free basis. Ascania is a producer of nonwoven fabrics and nonwoven composites primarily used for personal care, hygiene and medical products as well as household applications.

On 14 December 2015, Mondi acquired a 95% interest in KSP, Co. (KSP) (South Korea and Thailand), for a consideration of €54 million on a debt and cash-free basis. The preliminary purchase price of €41 million reported in 2015 was based on provisional results. On finalisation of the 2015 financial results the purchase price was confirmed at €54 million. KSP is a flexible packaging company specialising in the production of high-quality spouted and retort stand-up pouches for the food, pet food and beverage industries.

The provisional fair values at acquisition of KSP have been adjusted. Property, plant and equipment reduced by €1 million, trade and other receivables by €2 million. Trade and other payables increased by €1 million and borrowings reduced by €4 million. The net effect of the adjustments is €nil and has been recorded during the year ended 31 December 2016.

Details of the net assets acquired are as follows:

€ million	Book value	Revaluation (restated)	Fair value (restated)
Net assets acquired			
Property, plant and equipment	14	25	39
Intangible assets	—	6	6
Share of joint venture	1	3	4
Inventories	4	—	4
Trade and other receivables	17	(2)	15
Cash and cash equivalents	12	—	12
Total assets	**48**	**32**	**80**
Trade and other payables	(8)	(1)	(9)
Income tax liabilities	(2)	—	(2)
Net retirement benefits liability	(2)	—	(2)
Deferred tax liabilities	—	(9)	(9)
Total liabilities (excluding debt)	**(12)**	**(10)**	**(22)**
Short-term borrowings	(13)	2	(11)
Medium and long-term borrowings	(8)	2	(6)
Debt assumed	**(21)**	**4**	**(17)**
Net assets acquired	**15**	**26**	**41**
Goodwill arising on acquisitions			57
Non-controlling interests in equity			(1)
Cash acquired net of overdrafts			(12)
Net cash paid per combined and consolidated statement of cash flows			**85**
Paid in 2015			72
Paid in 2016			13
			85

€ million	Goodwill	Net assets	Net cash paid
Ascania	25	26	47
KSP	32	15	38
Acquisitions total	**57**	**41**	**85**

No adjustments were made to the fair values of other prior year acquisitions.

14 Consolidated cash flow analysis

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

€ million	2016	2015
Profit before tax	**843**	**796**
Depreciation and amortisation	380	365
Impairment of property, plant and equipment and intangible assets (not included in special items)	5	3
Share-based payments	13	11
Net cash flow effect of current and prior year special items	17	15
Net finance costs	101	105
Net profit from equity accounted investees	(1)	(1)
Decrease in provisions and net retirement benefits	(14)	(15)
Decrease/(increase) in inventories	24	(11)
Increase in operating receivables	(1)	(51)
Increase in operating payables	45	71
Fair value gains on forestry assets	(64)	(40)
Felling costs	57	51
Profit on disposal of property, plant and equipment	—	(13)
Profit from disposal of businesses	—	(6)
Other adjustments	(4)	(1)
Cash generated from operations	**1,401**	**1,279**

(b) Cash and cash equivalents

€ million	2016	2015
Cash and cash equivalents per condensed combined and consolidated statement of financial position	404	64
Bank overdrafts included in short-term borrowings	(27)	(28)
Cash and cash equivalents per condensed combined and consolidated statement of cash flows	**377**	**36**

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

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

(c) Movement in net debt

The Group's net debt position is as follows:

€ million	Cash and cash equivalents	Debt due within one year	Debt due after one year	Current financial asset investments	Debt-related derivative financial instruments	Total net debt
At 1 January 2015	9	(129)	(1,565)	—	72	**(1,613)**
Cash flow	32	(52)	219	—	—	**199**
Business combinations	—	5	(8)	—	—	**(3)**
Movement in unamortised loan costs	—	—	(3)	—	—	**(3)**
Net movement in derivative financial instruments	—	—	—	—	(73)	**(73)**
Reclassification	—	(54)	54	2	—	**2**
Currency movements	(5)	8	(16)	—	6	**(7)**
At 31 December 2015	36	(222)	(1,319)	2	5	**(1,498)**
Cash flow	345	152	(335)	—	—	**162**
Business combinations	—	(17)	(19)	—	—	**(36)**
Movement in unamortised loan costs	—	—	(2)	—	—	**(2)**
Net movement in derivative financial instruments	—	—	—	—	(23)	**(23)**
Reclassification[1]	—	(541)	547	—	—	**6**
Currency movements	(4)	4	9	—	(1)	**8**
At 31 December 2016	**377**	**(624)**	**(1,119)**	**2**	**(19)**	**(1,383)**

Note:

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

15 Capital commitments

€ million	2016	2015
Contracted for but not provided	222	213
Approved, not yet contracted for	1,516	817
Total capital commitments	**1,738**	**1,030**

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

€ million	2016	2015
Intangible assets	35	22
Property, plant and equipment	1,703	1,008
Total capital commitments	**1,738**	**1,030**

The expected maturity of these capital commitments is:

€ million	2016	2015
Within one year	538	418
One to two years	593	334
Two to five years	607	278
Total capital commitments	**1,738**	**1,030**

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.

In January 2017, the Boards approved a further €470 million capital spend at Štětí (Czech Republic). Capital expenditure is expected to be incurred in the three years from 2017 to 2019 and is not included in the capital commitments detailed above.

16 Contingent liabilities

Contingent liabilities comprise aggregate amounts as at 31 December 2016 of €11 million (2015: €9 million) in respect of loans and guarantees given to banks and other third parties. No acquired contingent liabilities have been recorded in the Group's condensed combined and consolidated statement of financial position for either year presented.

17 Fair value measurement

Financial instruments that are measured in the condensed combined and consolidated statement of financial position at fair value, or where the fair value of financial instruments have been disclosed in notes to the condensed combined and consolidated financial statements, are based on the following fair value measurement hierarchy:

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

The only assets measured at fair value on level 3 of the fair value measurement hierarchy are the Group's forestry assets as set out in note 10 and certain assets acquired or liabilities assumed in business combinations.

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

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

Specific valuation methodologies used to value financial instruments include:

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

17 Fair value measurement (continued)

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

	Carrying amount		Fair value	
€ million	**2016**	**2015**	**2016**	**2015**
Financial liabilities				
Borrowings	**1,770**	**1,569**	**1,844**	**1,653**

The non-controlling interest holder in Kalenobel holds an option to put its shares to Mondi until June 2021, but not before March 2018, at a price determined based on future earnings. The present value of the option is €9 million based on the current expected business plan, and is capped at TRY100 million (€27 million).

18 Related party transactions

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

Transactions between Mondi Limited, Mondi plc and their respective subsidiaries, which are related parties, have been eliminated on consolidation.

There have been no significant changes to the related parties as disclosed in note 31 of the Group's annual financial statements for the year ended 31 December 2015.

19 Events occurring after 31 December 2016

With the exception of the events listed below there have been no material reportable events since 31 December 2016:

- Final dividend proposed for 2016 (see note 9);
- Acquisition of 100% of the outstanding share capital of Excelsior Technologies Limited (Excelsior) on 6 February 2017, for a total consideration of £33 million (€38 million), on a debt and cash-free basis.

Production statistics

		2016	2015
Packaging Paper			
Containerboard	'000 tonnes	2,000	2,138
Kraft paper	'000 tonnes	1,204	1,162
Softwood pulp	'000 tonnes	1,870	1,759
Internal consumption	'000 tonnes	1,698	1,609
Market pulp	'000 tonnes	172	150
Hardwood pulp - internal consumption	'000 tonnes	364	322
Fibre Packaging			
Corrugated board and boxes	million m²	1,448	1,350
Industrial bags	million units	4,881	4,925
Extrusion coatings	million m²	1,249	1,389
Consumer Packaging			
Consumer packaging	million m^2	7,156	6,594
Uncoated Fine Paper			
Uncoated fine paper	'000 tonnes	1,408	1,379
Softwood pulp	'000 tonnes	334	349
Internal consumption	'000 tonnes	315	333
Market pulp	'000 tonnes	19	16
Hardwood pulp	'000 tonnes	853	839
Internal consumption	'000 tonnes	777	741
Market pulp	'000 tonnes	76	98
Newsprint	'000 tonnes	202	197
South Africa Division			
Containerboard	'000 tonnes	253	247
Uncoated fine paper	'000 tonnes	258	240
Hardwood pulp	'000 tonnes	602	619
Internal consumption	'000 tonnes	322	305
Market pulp	'000 tonnes	280	314
Newsprint	'000 tonnes	111	113
Softwood pulp – internal consumption	'000 tonnes	148	138

Exchange rates

	Average		Closing	
versus euro	**2016**	**2015**	**2016**	**2015**
South African rand	16.27	14.17	14.46	16.95
Czech koruna	27.03	27.28	27.02	27.02
Mexican peso	20.66	17.61	21.77	18.91
Polish zloty	4.36	4.18	4.41	4.26
Pounds sterling	0.82	0.73	0.86	0.73
Russian rouble	74.16	68.04	64.30	80.67
Turkish lira	3.34	3.02	3.71	3.18
US dollar	1.11	1.11	1.05	1.09

Glossary of financial terms

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

Net debt	A measure comprising short, medium, and long-term interest-bearing borrowings and the fair value of debt-related derivatives less cash and cash equivalents and current financial asset investments.
Return on capital employed (ROCE)	Trailing 12-month underlying operating profit, including share of associates' net profit, divided by trailing 12-month average capital employed and for segments has been extracted from management reports. Capital employed is adjusted for impairments in the year and spend on those strategic projects which are not yet in production.
Special items	Those financial items which the Group believes 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. Special items affect year-on-year comparability 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.
Underlying EBITDA	Operating profit before special items, depreciation and amortisation.
Underlying operating profit	Operating profit before special items.
Underlying profit before tax	Reported profit before tax and special items.
Underlying earnings	Net profit after tax before special items attributable to shareholders.

Forward-looking statements

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

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

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

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

Editors’ notes

We are Mondi: In touch every day

Mondi is an international packaging and paper Group, employing around 25,000 people across more than 30 countries. Our key operations are located in central Europe, Russia, North America and South Africa. In 2016, Mondi had revenues of €6.7 billion and a return on capital employed of 20.3%.

We are fully integrated across the packaging and paper value chain - from managing forests and producing pulp, paper and compound plastics, to developing effective and innovative industrial and consumer packaging solutions. With over 100 products customised into more than 100,000 solutions, we offer more than you may expect. Leading brands around the world rely on our innovative technologies and products across a variety of industries such as agriculture; automotive; building and construction; chemicals and dangerous goods; food and beverages; graphic and photographic; home and personal care; medical and pharmaceutical; office and professional printing; packaging and paper converting; pet care; retail and e-commerce; and shipping and transport.

We believe sustainable development makes good business sense. It's integral to our responsible and profitable growth, and embedded in everything we do, every day. We continue to look for ways to do more with less, promote the responsible management of ecosystems, develop and inspire our people, and enhance the value that our sustainable product solutions create.

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

Sponsor in South Africa: UBS South Africa Proprietary Limited