

Mondi plc

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23 February 2023

Full year results for the year ended 31 December 2022

"Strong performance in 2022; delivering our strategy"

Mondi, a global leader in sustainable packaging and paper, today announces its results for the 12 months to 31 December 2022. Performance from the Group's continuing operations exclude its Russian operations.

Highlights

- **Strong financial performance from continuing operations**
 - Underlying EBITDA of €1,848 million, up 60% (2021: €1,157 million), with underlying EBITDA margin of 20.8% (2021: 16.6%)
 - Profit before tax of €1,560 million, up 119% (2021: €712 million)
 - Basic underlying earnings per share of 195.6 euro cents, up 78% (2021: 110.1 euro cents per share)
 - Cash generated from operations of €1,292 million, up 29% (2021: €1,001 million); strong balance sheet with leverage (net debt to underlying EBITDA) of 0.5 times
 - Return on capital employed (ROCE) of 23.7% (2021: 13.9%)
- **€1 billion expansionary capital investment pipeline on track to deliver growth across our packaging businesses**
- **Good progress made on our sustainability roadmap, Mondi Action Plan 2030 (MAP2030)**
 - Science-based Net-Zero targets validated
- **Completed sale of the Personal Care Components business**
- **Agreed sale of Russian assets, with regulatory approval process ongoing**
- **Recommended full year dividend of 70.0 euro cents per share, up 8% (2021: 65.0 euro cents per share)**
- **Our unique platform, cash generation and strong balance sheet positions us to meet growing customer demand for sustainable packaging and invest to strengthen our leading market positions, in line with our strategy to deliver sustainable value accretive growth.**

Financial summary^{1,2}

€ million, except for percentages and per share measures	Year ended 31 December 2022	Year ended 31 December 2021	Change %	Six months ended 31 December 2022	Six months ended 31 December 2021	Change %
From continuing operations (excluding Russian operations)						
Group revenue	8,902	6,974	28	4,397	3,691	19
Underlying EBITDA ¹	1,848	1,157	60	906	591	53
Underlying operating profit ¹	1,443	782	85	695	397	75
Operating profit	1,685	789	114	691	398	74
Profit before tax	1,560	712	119	627	358	75
Basic underlying earnings per share ¹ (euro cents)	195.6	110.1	78			
Basic earnings per share (euro cents)	244.5	112.0	118			
Total dividend per share (euro cents)	70.0	65.0	8			
Cash generated from operations	1,292	1,001	29			
Net debt ¹	1,011	1,689				
Underlying EBITDA margin ¹	20.8%	16.6%				
Return on capital employed (ROCE) ¹	23.7%	13.9%				
From continuing and discontinued operations (including Russian operations)						
Total EBITDA (prior to special items) ¹	2,338	1,503	56			
Basic total earnings per share (prior to special items) ¹ (euro cents)	250.4	154.0	63			
Return on capital employed (ROCE) ¹	26.0%	16.9%				

Notes:

- 1 The Group presents certain measures of financial performance, position or cash flows that are not defined or specified according to International Financial Reporting Standards (IFRS). These measures, referred to as Alternative Performance Measures (APMs), are defined at the end of this document and where relevant, reconciled to IFRS measures in the notes to the condensed consolidated financial statements.
- 2 The Group's operations in Russia have been classified as discontinued operations and reported as held for sale. The measures presented based on continuing operations therefore exclude the Group's Russian operations. Refer to note 15 in the condensed consolidated financial statements for further information.

Andrew King, Mondi Group Chief Executive Officer, said:

"Mondi delivered a strong performance across the business in 2022. Underlying EBITDA from continuing operations of €1,848 million was up 60% as we continue to successfully partner with our customers to deliver innovative and sustainable packaging and paper solutions. Our integrated business model and strong operational performance enabled us to manage inflationary pressures and expand margins through price increases.

My sincere thanks go to all our colleagues for their excellent delivery and continued professionalism, agility and commitment in what has been a year impacted by significant external challenges.

Cash generated from continuing operations of €1,292 million, up 29% on 2021, led to a further strengthened balance sheet, ending the year with leverage of 0.5 times. This gives us the strength and strategic flexibility to continue to invest through the cycle, in turn reflecting our confidence in the long-term growth of the markets in which we operate and our leading positions within them.

We continue to accelerate our growth ambitions, making good progress with our significant expansionary capital investment pipeline. Projects focus on expanding capacity to serve growing markets, productivity improvements, enhancing cost competitiveness and delivering sustainability benefits.

Particularly pleasing is the strong growth we are seeing in our market-leading Flexible Packaging business. Our innovative product offering means we can use paper where possible and plastic when useful to provide customers with a uniquely broad choice of flexible packaging solutions to meet their needs.

We are widely recognised as a leader in sustainability including maintaining our AAA rating from MSCI, being recognised in CDP's A List for leading practices in forestry and water security, and among the top 10 ranked companies globally in the World Benchmarking Alliance's inaugural nature benchmark. We continue to make good progress across our Mondi Action Plan 2030 (MAP2030) sustainability framework. We are developing fit-for-purpose solutions, set apart by our broad product offering and innovative capabilities, as we work towards making all our packaging and paper solutions reusable, recyclable or compostable by 2025. We have accelerated our climate ambition, being among the first packaging and paper companies to have Net-Zero targets validated by the Science Based Targets initiative. Engaging, developing and safeguarding our people continues to be a priority as we look to build skills and promote a diverse and inclusive work culture, while ensuring everyone returns home safely every day.

With our strong financial position and confidence in the future of the business, the Board has recommended an increase in the final dividend to 48.33 euro cents per share. This represents a total dividend of 70.00 euro cents per share, an increase of 8% over last year."

Outlook

As we enter 2023, significant geopolitical and macro-economic uncertainties remain. Whilst a number of input costs are starting to decline, we continue to see an environment of softer demand and pricing, with destocking expected to continue through the first quarter. Notwithstanding these challenges, we remain confident of our compelling product portfolio and resilient business model. Our cash generation and strong balance sheet provide strategic flexibility, enabling us to meet growing customer demand for sustainable products and continue to invest to strengthen our leading market positions. We remain well positioned to deliver attractive returns and sustainable value accretive growth.

Performance review (continuing operations)

Mondi delivered a strong financial and operational performance across all key metrics. Underlying EBITDA was €1,848 million, up 60%, and ROCE increased to 23.7%. Our businesses achieved higher average selling prices which more than offset materially higher input costs. Corrugated Packaging increased underlying EBITDA by 22% to €662 million (2021: €543 million) and Flexible Packaging grew underlying EBITDA 41% to €797 million (2021: €567 million). Uncoated Fine Paper significantly improved underlying EBITDA, delivering €427 million in the year (2021: €55 million), in part due to a higher non-cash forestry fair value gain of €169 million (2021: loss of €7 million).

Group revenue of €8,902 million was up 28% on the prior year. We saw volume growth in containerboard, kraft paper and pulp sales following continued investment across our portfolio, with lower volumes in corrugated solutions and uncoated fine paper. Selling price increases were achieved in all businesses in response to tight market conditions and inflationary pressures.

Input costs increased materially year-on-year. Energy costs increased sharply during the year, driven predominantly by higher European gas and electricity prices. We were able to mitigate the impact of these higher costs as most of our pulp and paper mills generate the majority of their energy needs internally, with around 80% of the fuels used in this process from biomass sources, and only around 10% of our fuel sourced from natural gas. Following record European energy prices in the third quarter of 2022, these fell sharply in the fourth quarter but were, on average, sequentially higher in the second half of the year. European energy prices are currently lower than 2022 averages.

Wood costs in central and eastern Europe were also materially higher on the comparable prior year period. Increasing demand for firewood as an alternative energy source to fossil fuels, coupled with reduced supply due to less calamity wood on the market and the impact of sanctions on the availability of Russian and Belarusian timber contributed to the market tightness impacting both cost and availability. Wood prices remain at elevated levels but are expected to soften as the year progresses.

Fixed costs, excluding a higher non-cash forestry fair value gain of €169 million (2021: loss of €7 million), were well controlled although increased year-on-year. The impact of planned maintenance shuts on underlying EBITDA in 2022 was around €90 million (2021: €140 million), which is lower than prior year due to the prolonged project-related shut at Richards Bay (South Africa) in the

fourth quarter of 2021. Based on prevailing market conditions, we estimate that the impact of planned maintenance shuts in 2023 will be similar to 2022.

Currency movements had a net positive impact on underlying EBITDA of around €90 million versus the prior year, due to the effect of the stronger US dollar relative to the euro on our export-oriented businesses.

Depreciation, amortisation and impairment underlying charges of €405 million (2021: €375 million) were higher year-on-year mainly due to our capital investment programme.

Underlying operating profit of €1,443 million was up 85% on 2021. After special items, relating to the gain on disposal of the Personal Care Components business, operating profit was €1,685 million, up 114%.

Basic earnings per share of 244.5 euro cents were up 118% compared to 2021.

Investing for future growth

Our capital investment programme is focused on meeting our customers' growing demand for sustainable packaging and paper solutions. Our investments enhance our product offering, quality and service to customers; strengthen our cost competitiveness; improve our environmental footprint; and deliver growth. We seek to invest through the cycle given our confidence in the long-term growth of the markets we operate in and our leading positions within them.

We continue to make good progress in executing on our previously announced €1 billion pipeline of expansionary capital projects. These investments, which are outlined below, are diversified across the value chain and also in terms of product and geography.

In Corrugated Packaging, we are investing €220 million in our pulp and paper mills. This comprises €125 million in our Kuopio (Finland) mill which will increase semi-chemical fluting capacity by around 55,000 tonnes, enhance product quality, drive cost competitiveness and strengthen the mill's environmental performance. Start-up is expected in the fourth quarter of 2023. We are also investing €95 million to debottleneck kraftliner production by 55,000 tonnes at our state of the art Świecie mill (Poland), with commissioning expected during 2024.

In our Corrugated Solutions' converting operations, we are investing €185 million across our central and eastern European plant network to strengthen our leading market positions, support growth in eCommerce and enhance our product and service offering.

In Flexible Packaging, we have approved a €400 million investment in a new 210,000 tonne per annum kraft paper machine at our flagship Štětí mill (Czech Republic). This machine will meet the growing demand for sustainable paper-based flexible packaging and help us to better serve our customers, as well as improve productivity and energy efficiency. Start-up is expected in 2025 with full production ramp-up by 2027.

We are also investing €190 million across our Flexible Packaging converting network. In Paper Bags, we are continuing to expand the global reach of our business, ramping up production at our Cartagena (Colombia) and new Tangier (Morocco) plants, upgrading the capabilities in our Mexican plants and expanding our capacity in paper-based flexible packaging solutions for eCommerce across Europe and the US. We are investing €65 million to consolidate our leading position in the European pet food packaging market and plan to invest €50 million to enhance our coating capabilities and meet our customers' growing demand for innovative, sustainable paper-based packaging with the necessary barrier properties.

Adding to this pipeline of capital investment projects, in January 2023 we completed the acquisition of the Duino mill near Trieste (Italy) for a total consideration of €40 million. We plan to convert the existing paper machine into a high-quality, cost-competitive recycled containerboard machine with an annual capacity of around 420,000 tonnes for an estimated capital investment cost of €200 million. The mill is ideally located to source paper for recycling, supply the Group's Corrugated Solutions plants in central Europe and Türkiye as well as to serve the growing local Italian market. The converted machine is expected to start-up in 2025.

We continue to actively evaluate further growth opportunities in the packaging markets in which we operate, leveraging the structural growth drivers, our leading market positions and high-quality, cost-advantaged asset base.

Mondi Action Plan 2030 (MAP2030)

Our MAP2030 sustainability framework is built on our purpose of contributing to a better world by making innovative packaging and paper products that are sustainable by design. It focuses on three action areas: circular driven solutions, created by empowered people and taking action on climate. These are supported by a set of responsible business practices covering environmental performance, human rights, communities and procurement.

Our targets are ambitious, but we continue to make good progress with sustainability firmly embedded across the organisation and, thanks to our determination and philosophy of working with others across the value chain, to drive positive change at scale.

Circular driven solutions

Packaging plays a vital role in getting products safely from where they are produced to where they are needed. We make it possible to do this in the most efficient way while preventing loss or damage and minimising environmental impacts. For our business, it means making packaging that is fit-for-purpose and contributes to a circular economy. This helps us to play our part in tackling some of the world's biggest sustainability challenges - from food loss to plastic pollution, nature loss and climate change - by delivering packaging solutions that are designed at the outset with sustainability in mind. In 2022, 82% of our revenue was from packaging and paper products that are reusable, recyclable or compostable (2021: 77%).

Our innovation efforts are widely recognised, including eight 2023 WorldStar Packaging Awards which celebrate the best ideas, innovations and technologies on the market, with a focus on sustainability, product protection and end-user convenience.

We continue to collaborate across our business to identify opportunities to achieve our long-term aspirational target of eliminating waste to landfill from our manufacturing processes and have successfully reduced our absolute waste to landfill by 4% compared to the 2020 baseline.

Empowered people

Our goal is to be an employer of choice by engaging and developing our people to realise their potential and contribute to Mondi's ongoing success. By inspiring our global workforce, building skills and promoting a diverse and inclusive work culture, we can support long-term employability and provide purposeful employment. We also want to create a positive work-life experience that helps us to attract and retain talent, and safeguard the physical and mental wellbeing of our employees.

The safety and health of our people always comes first. We embed clearly defined methodologies, procedures and robust controls across our operations and production processes. Our safety approach centres on a 24-hour safety mindset and managing our top risks. We regretfully experienced one fatality at our Frantschach mill (Austria) in the year and two life-altering injuries at our operations. All incidents are investigated and actions taken where necessary to prevent recurrence. As part of our MAP2030 commitments, we are committed to reduce our Total Recordable Case Rate (TRCR) by 15% against a 2020 baseline, along with targets for zero fatalities and life-altering injuries. In 2022, our TRCR was 0.63, representing an 8% improvement on our 2020 baseline.

Taking action on climate

We have a longstanding focus on climate action and are committed to play our part in the transition to a low-carbon, circular economy. Following the Group's commitment to transition to Net-Zero by 2050, we were among the first companies in the packaging and paper sector to have our Net-Zero targets validated by the Science Based Targets initiative. These science-based targets cover greenhouse gas (GHG) emissions from our operations and supply chain (Scopes 1, 2 and 3) and are consistent with a reduction required to keep global warming to 1.5°C.

In the near-term, our targets commit us to reduce absolute Scope 1 and 2 GHG emissions by 46.2% and Scope 3 GHG emissions by 27.5% by 2030 from a 2019 base year. Our long-term target is to reduce absolute Scope 1, 2 and 3 GHG emissions by 90% by 2050.

We continue to reduce our absolute Scope 1 and 2 GHG emissions, achieving a 17% reduction in 2022 against our 2019 baseline. Reducing our GHG emissions has been a longstanding focus for us. Since 2004, our first baseline year for emission reduction targets, we have reduced our Scope 1 and 2 GHG emissions by 3 million tonnes, equating to a 44% reduction. The contribution of biomass-based renewable energy to the total fuel consumption of our mills is currently 80%, made possible through consistent capital investment across our mill network, making us more energy efficient and less reliant on fossil fuels.

Nature-based solutions play an important role in climate change mitigation. As part of our MAP2030 framework, we will continue to focus on climate resilience, maintaining zero deforestation in our wood supply, sourcing wood responsibly, and safeguarding biodiversity and water resources in our operations and beyond. In 2022, 100% of our fibre was responsibly sourced, with 75% FSC or PEFC certified and the remainder meeting the FSC Controlled Wood standard.

Dividend

We have a disciplined capital allocation policy ensuring we can invest in the business through the cycle for long-term growth and deliver attractive returns, while supporting the ordinary dividend within a targeted dividend cover range of two to three times over the cycle.

With our strong financial position and confidence in the future of the business, the Board has recommended an increase in the final 2022 dividend to 48.33 euro cents per share. The final dividend, together with the interim dividend, amount to a total dividend for the year of 70.00 euro cents per share, an increase of 8% on the 2021 total dividend.

The final dividend is subject to the approval of the shareholders of Mondi plc at the Annual General Meeting scheduled for 4 May 2023 and, if approved, is payable on 12 May 2023 to shareholders on the register on 31 March 2023.

Corrugated Packaging (continuing operations)

Mondi is a leading corrugated packaging player, with a well-invested, cost competitive asset base. Our mills are largely energy self-sufficient, and our production processes integrated, which keeps costs low and provides us with a competitive advantage. We are the leading virgin containerboard producer in Europe and the largest containerboard producer in emerging Europe. We are also a leading corrugated solutions producer across our central and emerging European network, partnering with our customers to create innovative, fully recyclable corrugated packaging that is sustainable by design.

€ million	Year ended 31 December 2022	Year ended 31 December 2021	Change %	Six months ended 31 December 2022	Six months ended 31 December 2021	Change %
Segment revenue	2,991	2,349	27	1,427	1,312	9
Underlying EBITDA	662	543	22	287	325	(12)
Underlying EBITDA margin	22.1%	23.1%		20.1%	24.8%	
Underlying operating profit	522	426	23	214	262	(18)
Capital expenditure cash payments	212	189		126	100	
Capital employed	2,162	1,907				
ROCE	25.3%	24.3%				

Corrugated Packaging delivered strongly in the year driven by significantly higher average selling prices which more than offset materially higher input costs. We grew underlying EBITDA in the first half of the year by implementing selling price increases to compensate for rising costs. In the second half, continued inflationary cost pressures, alongside softer demand, led to downward pressure on margins, although still at good levels.

Containerboard sales volumes were marginally up on the prior year supported by our broad, high-quality product portfolio, sharp focus on customer service and investment in the business. In Corrugated Solutions, industry demand was softer compared to the strong volume growth delivered in the prior year. Our box volumes were down 3% on the prior year.

We implemented price increases across all containerboard grades during 2022, leading to significantly higher average selling prices year-on-year, with the magnitude of the increases varying by grade. Average benchmark European selling prices for unbleached kraftliner and recycled containerboard were up around 30% while average benchmark white top kraftliner and semi-chemical fluting prices, which are typically more stable over time, were up around 20%. On the back of reduced cost support and destocking, containerboard prices declined towards the end of the year and are today lower than 2022 averages.

Corrugated Solutions was successful in passing on higher input paper and other costs through box price increases over the course of the year.

With the exception of paper for recycling, input costs were significantly higher year-on-year, in particular energy, wood, transport and chemical costs. Average benchmark European paper for recycling prices were flat on 2021 averages with prices higher in the first half offset by declines in the second half. We mitigated the impact of higher European energy costs on our business by leveraging our broad geographic footprint, integration and high-level of energy self-generation. Wood costs remain elevated while we are currently seeing softer input costs across most other categories. Fixed costs were well managed although increased due to inflationary effects.

We remain confident in our expansionary investment pipeline, encompassing both our containerboard and corrugated solutions network, together with our plans to convert the paper machine at the recently acquired Duino mill in Italy. These projects will leverage our integrated platform and deliver volume growth, enhance our product and service offering, drive cost competitiveness and strengthen our environmental performance.

Flexible Packaging (continuing operations)

Mondi is uniquely positioned to support our customers' packaging requirements including moisture resistant barriers, strength, durability, flexibility and recyclable properties using paper where possible and plastic when useful. Our broad range of products allows us to look holistically to find the optimal, fit-for-purpose solution for our customers. We are a leading global producer of kraft paper and paper bag production with our customers coming to us for scale, security of supply and global reach. We are also a leading producer of consumer flexible packaging in Europe and we have extensive coating capabilities that add functional barriers to paper solutions that can be recycled. The growth of Flexible Packaging is underpinned by the demand for sustainable packaging solutions primarily for consumer and eCommerce applications.

€ million	Year ended 31 December 2022	Year ended 31 December 2021	Change %	Six months ended 31 December 2022	Six months ended 31 December 2021	Change %
Segment revenue	4,299	3,292	31	2,217	1,698	31
Underlying EBITDA	797	567	41	381	272	40
Underlying EBITDA margin	18.5%	17.2%		17.2%	16.0%	
Underlying operating profit	608	399	52	280	187	50
Special items before tax	—	7		—	2	
Capital expenditure cash payments	223	182		138	84	
Capital employed	3,035	2,745				
ROCE	20.9%	15.2%				

Flexible Packaging achieved volume growth and successfully implemented price increases to recover significantly higher input costs.

Volume growth was supported by our innovative and sustainable packaging portfolio. Kraft paper sales volumes were up 4% on the prior year, benefiting from the increasing demand from customers for sustainable paper-based flexible packaging and recently completed capital investments. Paper bags and consumer flexibles' volumes were stable supported by resilient customer demand. Our Functional Paper and Films business continues to leverage its coating capabilities to integrate barrier properties into paper-based solutions.

We continue to see good demand from customers across our broad range of sustainable packaging solutions, as we leverage our unique product portfolio and in-depth technical expertise to drive product development initiatives with our customers in support of a circular economy.

Prices in the kraft paper value chain increased significantly in the first half and into the third quarter, and stabilised thereafter. Following demand growth in the first half of 2022 and industry supply disruptions, which supported meaningful price increases, slowing economic activity and destocking, particularly in Europe, dampened demand in the second half and into the first quarter of 2023.

In our converting operations, we were successful in achieving price increases during the year to pass through the higher input costs, supported by our broad product offering and pricing discipline.

Input costs were materially up year-on-year, with higher wood, energy, plastic resin, chemical and transport costs. Moving into 2023, input costs are generally softer except for wood costs which remain elevated. Fixed costs were well controlled although increased due to higher maintenance costs, additional personnel to serve growing customer demand, and inflationary effects.

We continue to invest across our platform. We approved the investment in a new kraft paper machine at Štětí (Czech Republic) which will meet the growing demand for sustainable paper-based flexible packaging. In addition, our investments in our converting operations are diversified across our global network and will drive organic growth underpinned by the structural growth drivers in our markets.

Uncoated Fine Paper (continuing operations)

We produce home, office and professional printing papers at our mills in central and eastern Europe and Southern Africa. By leveraging our leading market positions in these regions, supported by our cost competitive assets, we remain the supplier of choice to our customers. Our integrated mills, which produce pulp and paper, generate significant energy from biomass, a renewable by-product from the pulp manufacturing process, which keeps costs low and provides significant environmental benefits.

€ million	Year ended 31 December 2022	Year ended 31 December 2021	Change %	Six months ended 31 December 2022	Six months ended 31 December 2021	Change %
Segment revenue	1,613	1,194	35	820	604	36
Underlying EBITDA	427	55	676	256	(3)	—
Underlying EBITDA margin	26.5%	4.6%		31.2%	(0.5%)	
Underlying operating profit	355	(17)	—	220	(39)	—
Capital expenditure cash payments	64	85		26	47	
Capital employed	1,091	965				
ROCE	34.7%	(1.7%)				

Uncoated Fine Paper successfully implemented price increases which more than offset materially higher input costs. We recorded a higher non-cash forestry fair value gain and benefited from shorter planned project-related maintenance shuts. Our business remains well placed, continuing to benefit from our cost competitiveness, broad product portfolio and excellent customer service.

Uncoated fine paper sales volumes were lower in the year due to softening European demand towards the end of the year, temporary tightness in European wood availability and the impact from flooding in Durban (South Africa) which affected production at the Merebank mill for most of the second quarter. Pulp sales volumes were up in the year following the start-up of the rebuilt recovery boiler at Richards Bay (South Africa) in the first quarter and successful ramp-up during the year.

On the back of increasing costs, we implemented price increases during the year. Average benchmark European uncoated fine paper selling prices and average benchmark European bleached hardwood pulp prices were both up more than 40% year-on-year. While Southern African uncoated fine paper prices have remained broadly flat in early 2023, European uncoated fine paper and pulp prices have come under downward pressure.

Input costs were up with significantly higher energy, wood and chemical costs. While wood prices remain elevated, most other input costs are declining as we enter 2023. Fixed costs were stable, with strong cost control and shorter maintenance shuts mitigating inflationary cost pressures.

We recorded a higher non-cash forestry fair value gain in the year of €169 million (2021: loss of €7 million) reflecting materially higher market prices for timber.

Special items

Special items (before tax) amounted to a net income of €242 million as a result of the gain on disposal of the Personal Care Components business.

Tax

The underlying tax charge from continuing operations for the year was €296 million (2021: €154 million) giving an effective tax rate of 22% (2021: 22%), in line with our expectation.

Cash flow

Cash generated from continuing operations was €1,292 million (2021: €1,001 million), reflecting the Group's continued strong cash generating capability. Working capital at 31 December 2022 was 14% (2021: 14%) of revenue, giving rise to an investment in working capital of €419 million for the year (2021: €195 million).

Capital expenditure was €508 million (2021: €481 million) as we continue to pursue value accretive growth by investing in our asset base. On the back of our investment programme, our capital expenditure in 2023 and 2024 is expected to be around €800-850 million per annum.

We also completed the disposal of the Personal Care Components business for an enterprise value of €615 million.

Tax paid was €196 million (2021: €138 million) and interest paid, including derivative interest, was €127 million (2021: €78 million). We are pleased to have paid dividends to shareholders of €321 million (2021: €298 million) in the year.

Treasury and borrowings

Mondi retains a strong financial position. Continuing operations' net debt at 31 December 2022 was €1,011 million, reduced from €1,689 million at 31 December 2021, reflecting the Group's strong cash generation and proceeds from the disposal of the Personal Care Components business. Net debt to underlying EBITDA ended the year at 0.5 times (31 December 2021: 1.5 times).

At 31 December 2022, Mondi had a strong liquidity position of €1,818 million, comprising €757 million of undrawn committed debt facilities and cash and cash equivalents held by continuing operations of €1,061 million. The weighted average maturity of our committed debt facilities was 3.8 years. The Group's financing agreements do not contain financial covenants.

As expected, net finance costs of €143 million were higher than the prior year driven by higher interest rates, in particular in the Czech Republic, Poland and South Africa, and currency mix effects.

The Group's investment grade credit ratings were unchanged with Standard & Poor's at BBB+ (stable outlook) and Moody's Investors Service at Baa1 (stable outlook).

Russian operations (discontinued operations)

Divestiture of Russian operations

In May 2022, the Board decided to divest the Group's Russian assets. Given progress with the divestment process, the Board subsequently concluded, in June 2022, that the Russian operations satisfied the criteria to be classified as held for sale and that they should also be classified as discontinued operations.

In August 2022, the Group entered into an agreement to sell its most significant facility in Russia, Joint Stock Company Mondi Syktyvkar, together with two affiliated entities (together 'Syktyvkar') to Augment Investments Limited for a consideration of RUB 95 billion (€1.2 billion, at an exchange rate of 78.43 Russian rouble versus euro as at 31 December 2022), payable in cash on completion. The disposal excludes a cash balance of RUB 16 billion (€204 million, at an exchange rate of 78.43 Russian rouble versus euro as at 31 December 2022) which is planned to be distributed by form of dividend to Mondi before completion. Remittance of this dividend requires the approval of the Ministry of Finance of the Russian Federation. The agreement with Augment Investments Limited has a long stop date of 12 May 2023 after which either party can terminate the agreement without recourse.

In addition, in December 2022, the Group confirmed it had entered into an agreement to sell its three Russian packaging converting operations to the Goteck Group for a consideration of RUB 1.6 billion (€20 million, at an exchange rate of 78.43 Russian rouble versus euro as at 31 December 2022), payable in cash on completion.

The disposals are conditional on the buyers' receiving approval from the Russian Federation's Government Sub-Commission for the Control of Foreign Investments and customary antitrust approvals. The Syktyvkar disposal is also subject to the approval of Mondi's shareholders at a General Meeting. These approval processes remain ongoing. As the disposals are being undertaken in an evolving political and regulatory environment, there can be no certainty as to when they will be completed.

As previously announced, it is intended that the net proceeds from the disposals and the above mentioned dividend will be distributed to Mondi's shareholders as soon as reasonably practicable following receipt.

Refer to note 15 in the condensed consolidated financial statements for further information on the divestiture of Russian operations.

Trading review

The Russian operations generated a profit after tax of €266 million for the year (2021: €213 million).

The operations benefited from higher selling prices which mitigated the impact of higher input costs and inflationary impacts. Sales volumes were lower driven predominantly by the cessation of containerboard exports to Europe which were partly redirected to the local market.

As previously announced, all significant capital expenditure projects at the Group's Russian operations were suspended.

Principal risks

The Board is responsible for the effectiveness of the Group's risk management activities and internal control processes. It has put procedures in place for identifying, evaluating, and managing the risks faced by the Group. In combination with the Audit Committee, the Board has conducted a robust assessment of the Group's principal and emerging risks and is satisfied that the Group has effective systems and controls in place to manage these risks within the risk appetite levels established.

Risk management is by its nature a dynamic and ongoing process. Risk management is of key importance given the diversity of the Group's locations, markets and production processes. Our internal controls aim to provide reasonable assurance as to the accuracy, reliability and integrity of our financial information, non-financial disclosures and the Group's compliance with applicable laws, regulations and internal policies as well as the effectiveness of internal processes.

Key changes in the year

The Group's most significant risks are long term in nature. The assessment of the principal risks is updated annually to reflect the developments in our strategic priorities and Board discussions on emerging risks.

During the year, we improved our internal risk management processes. A revised risk assessment approach was used to update our principal risks, providing further detail and clearer articulation of risk within the Group. An enhanced risk assurance map was developed and used to present our principal risks to the Board, Audit Committee and Sustainable Development Committee, facilitating detailed discussions on risk. The Group remains committed to the continuous improvement of risk assessment, risk management and risk reporting.

The key significant changes identified during 2022 are set out below.

During the year, the risk to energy security and related input costs was increased. As the transition to cleaner energy sources accelerates, accompanied by increased regulation, the energy supply portfolio in the regions in which we operate is undergoing profound long term changes (e.g. higher demand for external biomass) which increases the risk of more volatility in pricing and major energy interruptions. Additionally, the impact of the war in Ukraine on global and specifically European energy markets is acute and has driven significant increases in pricing and raised the risk of access to critical energy supplies.

Climate change continues to drive long-term structural changes to pricing and availability of wood. The impact of the war in Ukraine and related sanctions has restricted the movement of raw materials, including Russian and Belarusian wood. In addition, the European energy supply balance has been disrupted resulting in increasing demand for wood for heating purposes. Consequently, the cost and availability of raw materials risk was updated to reflect an increase in the anticipated likelihood of occurrence of the risk.

Given the Group's commitment to divest its Russian assets and the subsequent agreements entered into to divest these assets, the principal risks have been prepared and presented excluding our Russian operations. The exclusion of Russia from our risk assessment has not significantly impacted the risk exposure scores presented on the risk map.

Emerging risks

The Board has highlighted the execution of major capital expenditure projects as a continued emerging risk. The emerging risk is managed through mitigating activities such that the residual risk exposure is not considered significant. All capital expenditure projects are planned in detail with contingency plans in place in order to avoid cost overruns, design and building defects and to ensure employee and contractor safety. Post-investment reviews are conducted on major capital expenditure projects to evaluate the project execution against the original plan and identify lessons learnt. We will continue to monitor potential risks relating to executing major capital expenditure projects in the year ahead.

Pandemic risk

A pandemic can impact the way we do business due to various health, social and economic measures implemented by authorities around the world. The health, safety and welfare of the Group's employees and our communities is our top priority.

Actions and other monitoring techniques developed during the COVID-19 pandemic enable the Group to be dynamic in its reaction to the risk of a pandemic as it develops.

Strategic risks

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

We continue to monitor recent capacity announcements, demand developments and how consumers are demanding more sustainable packaging. We continue to develop our understanding of climate change risks and its impact whilst continuing to improve our disclosures and improve our responses.

The Executive Committee and Board monitor our exposure to these risks and evaluate investment decisions against our overall exposures so that our strategic capital allocation takes advantage of the opportunities arising from our deliberate exposure to such risks.

Our principal strategic risks relate to the following:

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

Financial risks

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

An attentive approach to financial risk management remains in response to increased scrutiny of the tax affairs of multinational companies and ongoing short-term currency volatility.

Our principal financial risks relate to the following:

- Capital structure
- Currency risk
- Tax risk

Operational risks

As a Group we focus on operational excellence and investment in our people and are committed to the responsible use of resources.

Our investments to improve our energy efficiency, engineer out our most significant safety risks and improve operating efficiencies reduce the likelihood of operational risk events. Supply of wood fibre and energy within the EU are anticipated to have an operational impact on the Group, driven by the war in Ukraine and physical and transitional risks arising due to climate change.

Our principal operational risks relate to the following:

- Cost and availability of raw materials
- Energy security and related input costs
- Technical integrity of our operating assets
- Environmental impact
- Employee and contractor health and safety
- Attraction and retention of key skills and talent
- Cyber security risk

Compliance risk

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

Our principal compliance risk relates to Reputational risk.

A more detailed description of our principal risks can be found in the Group's 2021 Integrated Report. The 2022 Integrated Report is planned to be published at the end of March 2023.

Going concern

The directors have reviewed the Group's budget, considered the assumptions contained in the budget, including consideration of the principal risks which may impact the Group's performance in the 18 months following the balance sheet date and considerations of the period immediately thereafter. The going concern assessment has been based on the Group's continuing operations. Any impact from the discontinued operations or expected proceeds from disposal are fully excluded from the assessment.

The Group has a strong balance sheet. Continuing operations' net debt at 31 December 2022 was €1,011 million, reduced from €1,689 million at 31 December 2021, reflecting the Group's strong cash generation and proceeds from the disposal of the Personal Care Components business. At 31 December 2022, the Group had a strong liquidity position of €1,818 million, comprising €757 million of undrawn committed debt facilities and cash and cash equivalents held by continuing operations of €1,061 million. The weighted average maturity of our committed debt facilities was 3.8 years.

The current and possible future impact from the macroeconomic environment on the Group's activities and performance has been considered by the Board in preparing its going concern assessment. The base case forecasts for the Group's continuing operations were sensitised to reflect a severe but plausible downside scenario on Group performance. The scenario testing assumed severe but plausible volume and margin reductions happening in combination and was carried out against Mondi's current committed debt facilities, with the assumption that the Group's €500 million Eurobond maturing in April 2024 will not be refinanced. However, the Group has a track record of successfully accessing both the bank and debt capital markets for funding and is expecting to be able to refinance the facilities if needed. In the severe but plausible downside scenario, the Group has sufficient liquidity headroom through the whole period covered.

In addition to its modelled downside going concern scenario, the Board has reverse stress tested the model to determine the extent of downturn which would result in no liquidity headroom. A decline of 84% to the planned underlying EBITDA in the period until 30 June 2024, well in excess of that contemplated in the plausible downside scenario, would need to persist throughout the observed period to result in no liquidity headroom, which is considered very unlikely. This reverse stress test also does not incorporate mitigating actions like reductions and deferrals of capital and operational expenditure or cash preservation responses, which the Group would implement in the event of a severe and extended revenue decline.

Following its assessment, the directors have formed a judgement, at the time of approving the condensed consolidated financial statements, that there are no material uncertainties that cast doubt on the Group's going concern status and that it is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Group continues to adopt the going concern basis in preparing the condensed consolidated financial statements 2022.

Enquiries

Investors/analysts:

Fiona Lawrence	+44 742 587 8683
Mondi Group Head of Investor Relations	

Media:

Kerry Cooper	+44 788 145 5806
Mondi Group Communication Director	

Richard Mountain	+44 790 968 4466
FTI Consulting	

Audiocast and dial-in conference call details

Please see below details for the audiocast and conference call that will be held at 09:00 (GMT), 10:00 (CET), 11:00 (SAST) today.

Audiocast

An audiocast of the presentation will be accessible via <https://www.mondigroup.com/en/investors/>. A PDF of the slides will be available to download from the above website 30 minutes before the audiocast commences. Written questions can be submitted via the audiocast platform. If you wish to ask a question verbally, please connect via the dial-in conference call (details below).

For queries regarding access to the audiocast please e-mail group.communication@mondigroup.com. A recording of the presentation will be available on Mondi's website during the afternoon of 23 February 2023.

Dial-in conference call

To access the facility please register your name and contact details:

<https://register.vevent.com/register/BI05574318313e4db4accfbb8dfe2079a0>

Directors' responsibility statement

The Group annual financial statements have been audited in accordance with the applicable requirements of the Companies Act 2006.

The responsibility statement has been prepared in connection with the Group's Integrated report and financial statements 2022, extracts of which are included within this announcement.

The directors confirm that to the best of their knowledge:

- the condensed consolidated financial statements are derived from the audited consolidated financial statements of the Group, prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards (they do not contain sufficient information to comply with IFRS);
- the Group's consolidated financial statements, prepared in accordance with UK-adopted International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Strategic report included within the Group's Integrated report and financial statements 2022 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 it faces;
- the Integrated report and financial statements 2022, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and 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-year results for the six months ended 30 June 2022.

The Group's condensed consolidated financial statements, and related notes, including this responsibility statement, were approved by the Board and authorised for issue on 22 February 2023 and were signed on its behalf by:

Andrew King
Director

Mike Powell
Director

Audited financial information

The condensed consolidated financial statements and notes 1 to 22 for the year ended 31 December 2022 are derived from the Group annual financial statements which have been audited by PricewaterhouseCoopers LLP. The unmodified audit report is available for inspection at the Group's registered office.

Condensed consolidated income statement

for the year ended 31 December 2022

		2022			Restated ¹ 2021		
€ million	Notes	Underlying	Special items (Note 4)	Total	Underlying	Special items (Note 4)	Total
From continuing operations							
Group revenue	3	8,902	—	8,902	6,974	—	6,974
Materials, energy and consumables used		(4,728)	—	(4,728)	(3,663)	—	(3,663)
Variable selling expenses		(741)	—	(741)	(547)	—	(547)
Gross margin		3,433	—	3,433	2,764	—	2,764
Maintenance and other indirect expenses		(346)	—	(346)	(328)	—	(328)
Personnel costs		(1,077)	—	(1,077)	(1,025)	5	(1,020)
Other net operating expenses		(162)	—	(162)	(254)	(2)	(256)
Gain on disposal of business, net of related transaction costs	16	—	242	242	—	—	—
EBITDA		1,848	242	2,090	1,157	3	1,160
Depreciation, amortisation and impairments		(405)	—	(405)	(375)	4	(371)
Operating profit	3	1,443	242	1,685	782	7	789
Net profit from joint ventures		1	—	1	6	—	6
Net monetary gain arising from hyperinflationary economies	1	17	—	17	—	—	—
Investment income	6	6	—	6	5	—	5
Foreign currency losses	6	(5)	—	(5)	(2)	—	(2)
Finance costs	6	(144)	—	(144)	(86)	—	(86)
Profit before tax		1,318	242	1,560	705	7	712
Tax (charge)/credit	7	(296)	(5)	(301)	(154)	2	(152)
Profit from continuing operations		1,022	237	1,259	551	9	560
From discontinued operations							
Profit from discontinued operations	15			266			213
Profit for the year				1,525			773
Attributable to:							
Non-controlling interests				73			17
Shareholders				1,452			756
Earnings per share (EPS) attributable to shareholders							
euro cents							
From continuing operations							
Basic EPS	8			244.5			112.0
Diluted EPS	8			244.4			111.9
Basic underlying EPS	8			195.6			110.1
Diluted underlying EPS	8			195.6			110.0
From continuing and discontinued operations							
Basic EPS	8			299.3			155.9
Diluted EPS	8			299.2			155.8
Basic total EPS (prior to special items)	8			250.4			154.0
Diluted total EPS (prior to special items)	8			250.4			153.9

Note:

1 The Group's operations in Russia are presented as held for sale and classified as discontinued operations. Therefore, in accordance with IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations', the comparative figures for the year ended 31 December 2021 were restated to separate the net profit and cash flows associated with the Russian operations. As required by IFRS 5, the comparatives in the condensed consolidated statement of financial position were not restated. APMs, as defined at the end of this document, were restated to exclude the effect of the Russian operations. Refer to notes 1 and 15 for further details

Condensed consolidated statement of comprehensive income

for the year ended 31 December 2022

€ million	2022			Restated 2021		
	Before tax amount	Tax charge	Net of tax amount	Before tax amount	Tax charge	Net of tax amount
Profit for the year			1,525			773
Items that may subsequently be or have been reclassified to the condensed consolidated income statement						
Fair value gains/(losses) arising from cash flow hedges of continuing operations	1	—	1	(1)	—	(1)
Fair value gains arising from cash flow hedges of discontinued operations	1	—	1	—	—	—
Exchange differences on translation of continuing non-euro operations	35	—	35	(16)	—	(16)
Exchange differences on translation of discontinued non-euro operations	72	—	72	42	—	42
Reclassification of foreign currency translation reserve to the condensed consolidated income statement on disposal of business	(4)	—	(4)	—	—	—
Share of other comprehensive income of joint ventures	—	—	—	1	—	1
Items that will not subsequently be reclassified to the condensed consolidated income statement						
Remeasurements of retirement benefits plans of continuing operations	8	(3)	5	11	(4)	7
Remeasurements of retirement benefits plans of discontinued operations	1	—	1	1	—	1
Other comprehensive income/(expense) for the year	114	(3)	111	38	(4)	34
Other comprehensive income/(expense) attributable to:						
Non-controlling interests			6			(4)
Shareholders			105			38
Total comprehensive income attributable to:						
Non-controlling interests			79			13
Shareholders			1,557			794
Total comprehensive income attributable to shareholders arises from:						
Continuing operations			1,217			538
Discontinued operations			340			256
Total comprehensive income for the year			1,636			807

Condensed consolidated statement of financial position

as at 31 December 2022

€ million	Notes	2022	2021
Property, plant and equipment		4,167	4,870
Goodwill	10	769	926
Intangible assets		64	76
Forestry assets	11	485	348
Investments in joint ventures		18	17
Financial instruments		25	33
Deferred tax assets		34	43
Net retirement benefits asset		8	26
Other non-current assets		8	1
Total non-current assets		5,578	6,340
Inventories		1,359	1,099
Trade and other receivables		1,448	1,333
Current tax assets		9	12
Financial instruments		4	4
Cash and cash equivalents	17b	1,067	473
		3,887	2,921
Assets held for sale	15	1,382	—
Total current assets		5,269	2,921
Total assets		10,847	9,261
Short-term borrowings	13	(102)	(124)
Trade and other payables		(1,525)	(1,444)
Current tax liabilities		(137)	(116)
Provisions		(22)	(33)
Financial instruments		(10)	(18)
		(1,796)	(1,735)
Liabilities directly associated with assets held for sale	15	(325)	—
Total current liabilities		(2,121)	(1,735)
Medium- and long-term borrowings	13	(1,970)	(2,104)
Net retirement benefits liability	14	(155)	(197)
Deferred tax liabilities		(307)	(283)
Provisions		(27)	(35)
Other non-current liabilities		(13)	(18)
Total non-current liabilities		(2,472)	(2,637)
Total liabilities		(4,593)	(4,372)
Net assets		6,254	4,889
Equity			
Share capital		97	97
Own shares		(16)	(18)
Retained earnings		5,895	4,760
Other reserves		(182)	(341)
Total attributable to shareholders		5,794	4,498
Non-controlling interests in equity		460	391
Total equity		6,254	4,889

The Group's condensed consolidated financial statements, including related notes 1 to 22, were approved by the Board and authorised for issue on 22 February 2023 and were signed on its behalf by:

Andrew King
Director

Mike Powell
Director

Condensed consolidated statement of changes in equity

for the year ended 31 December 2022

€ million	Equity attributable to shareholders	Non-controlling interests	Total equity
At 1 January 2021	4,002	380	4,382
Total comprehensive income for the year:	794	13	807
Profit for the year	756	17	773
Other comprehensive income/(expense)	38	(4)	34
Transactions with shareholders in their capacity as shareholders			
Dividends	(298)	(6)	(304)
Purchases of own shares	(7)	—	(7)
Mondi share schemes' charge	9	—	9
Acquired through business combinations	—	7	7
Non-controlling interests bought out	—	(3)	(3)
Other movements	(2)	—	(2)
At 31 December 2021	4,498	391	4,889
Hyperinflation monetary adjustment (see note 1)	46	(5)	41
Restated balance at 1 January 2022	4,544	386	4,930
Total comprehensive income for the year:	1,557	79	1,636
Profit for the year	1,452	73	1,525
Other comprehensive income	105	6	111
Hyperinflation monetary adjustment (see note 1)	16	1	17
Transactions with shareholders in their capacity as shareholders			
Dividends	(321)	(9)	(330)
Purchases of own shares	(7)	—	(7)
Mondi share schemes' charge	11	—	11
Disposal of businesses (see note 16)	(4)	—	(4)
Other movements in non-controlling interests	(2)	3	1
At 31 December 2022	5,794	460	6,254

Equity attributable to shareholders

€ million	2022	2021	At 1 January 2021
Share capital	97	97	97
Own shares	(16)	(18)	(18)
Retained earnings	5,895	4,760	4,300
Cumulative translation adjustment reserve	(859)	(1,007)	(1,038)
Post-retirement benefits reserve	(35)	(43)	(51)
Share-based payment reserve	17	16	16
Cash flow hedge reserve	1	(1)	—
Merger reserve	667	667	667
Other sundry reserves	27	27	29
Total	5,794	4,498	4,002

Condensed consolidated statement of cash flows

for the year ended 31 December 2022

€ million	Notes	2022	Restated 2021
Cash flows from operating activities			
Cash generated from continuing operations	17a	1,292	1,001
Dividends received from other investments		2	1
Income tax paid		(196)	(138)
Net cash generated from operating activities of discontinued operations	15	350	286
Net cash generated from operating activities		1,448	1,150
Cash flows from investing activities			
Investment in property, plant and equipment		(508)	(481)
Investment in intangible assets		(12)	(16)
Investment in forestry assets	11	(49)	(45)
Investment in joint ventures		—	(1)
Proceeds from the disposal of property, plant and equipment		7	21
Proceeds from the disposal of financial asset investments		5	—
Acquisition of businesses, net of cash and cash equivalents		—	(63)
Proceeds from the disposal of business, net of cash and cash equivalents	16	642	—
Loans advanced to related and external parties		—	(1)
Interest received		6	3
Other investing activities		9	4
Net cash used in investing activities of discontinued operations	15	(68)	(91)
Net cash generated from/(used in) investing activities		32	(670)
Cash flows from financing activities			
Proceeds from other medium- and long-term borrowings	17c	—	59
Repayment of other medium- and long-term borrowings	17c	(53)	—
Net repayment of short-term borrowings	17c	(9)	(4)
Repayment of lease liabilities	17c	(21)	(21)
Interest paid	17c	(60)	(67)
Dividends paid to shareholders	9	(321)	(298)
Dividends paid to non-controlling interests	9	(9)	(6)
Purchases of own shares		(7)	(7)
Non-controlling interests bought out		—	(3)
Net cash outflow from debt-related derivative financial instruments	17c	(83)	(12)
Other financing activities		1	—
Net cash used in financing activities of discontinued operations	15	(10)	(13)
Net cash used in financing activities		(572)	(372)
Net increase in cash and cash equivalents		908	108
Cash and cash equivalents at beginning of year		455	348
Cash movement in the year	17c	908	108
Effects of changes in foreign exchange rates	17c	18	(1)
Cash and cash equivalents at end of year	17b	1,381	455

Notes to the condensed consolidated financial statements

for the year ended 31 December 2022

1 Basis of preparation

These condensed consolidated financial statements as at and for the year ended 31 December 2022 comprise Mondi plc and its subsidiaries (referred to as 'the Group'), and the Group's share of the results and net assets of its associates and joint ventures.

The Group's condensed consolidated financial statements have been derived from the audited consolidated financial statements of the Group, prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The Group's condensed consolidated financial statements do not contain sufficient information to comply with IFRS.

The financial information set out in these condensed consolidated financial statements does not constitute the Company's statutory accounts for the years ended 31 December 2022 or 2021 but is derived from those accounts. Statutory accounts for 2021 have been delivered to the Registrar of Companies, and those for 2022 will be delivered in due course. The auditors have reported on those accounts; their report was (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 Companies Act 2006. Copies of the unqualified auditors' report on the Integrated report and financial statements 2022 are available for inspection at the registered office of Mondi plc.

The condensed consolidated financial statements have been prepared on a going concern basis as discussed in the commentary under the heading 'Going concern' which is incorporated by reference into these condensed consolidated financial statements.

The condensed consolidated financial statements have been prepared under the historical cost basis of accounting, as modified by forestry assets, pension assets, certain financial assets and financial liabilities held at fair value through profit and loss and accounting in hyperinflationary economies.

2 Accounting policies

The same accounting policies and alternative performance measures (APMs), methods of computation and presentation have been followed in the preparation of the condensed consolidated financial statements for the year ended 31 December 2022 as were applied in the preparation of the Group's annual financial statements for the year ended 31 December 2021, except as follows:

- Non-current assets held for sale and discontinued operations

Non-current assets, and disposal groups, are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable. Non-current assets, and disposal groups, classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell from the date on which these conditions are met. The deferred tax assets, assets arising from employee benefits and financial assets are specifically exempt from this requirement.

Any resulting impairment is reported through the condensed consolidated income statement. From the time of classification as held for sale, the assets are no longer depreciated or amortised. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised. Comparative amounts in the condensed consolidated statement of financial position are not adjusted.

Discontinued operations are either a separate major line of business or geographical area of operations that have been disposed of or are part of a single coordinated plan for disposal which satisfy the held for sale criteria. Once an operation has been identified as discontinued, its net profit or loss, other comprehensive income or expense and cash flows are presented separately in the condensed consolidated income statement, the condensed consolidated statement of comprehensive income and the condensed consolidated statement of cash flows, including related notes to these statements, and comparative information is restated. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the condensed consolidated statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the condensed consolidated statement of financial position. The Group's assets and liabilities related to comparative periods are not separated between continuing and discontinued operations in the condensed consolidated statement of financial position.

- Hyperinflation accounting

Effective from 1 January 2022, the Group has applied IAS 29, 'Financial Reporting in Hyperinflationary Economies', for its subsidiaries in Türkiye, whose functional currencies have experienced a cumulative inflation rate of more than 100% over the past three years. Assets, liabilities, the financial position and results of non-euro operations in hyperinflationary economies are translated to euro at the exchange rates prevailing on the reporting date. The exchange differences are recognised directly in other comprehensive income or expense, and accumulated in the Group's cumulative translation adjustment reserve in equity. Such translation differences are reclassified to profit or loss only on disposal or partial disposal of the non-euro operation.

2 Accounting policies (continued)

Prior to translating the financial statements of the Turkish operations, the non-monetary assets and liabilities stated at historical cost are restated to account for changes in the general purchasing power of the local currencies based on the consumer price index (TÜFE, 2003=100) published by the Turkish Statistical Institute (TURKSTAT). On the date of first-time application, being 1 January 2022, the adjustment of the carrying amounts of non-monetary assets and liabilities of €41 million was determined at the closing exchange rate and allocated between retained earnings, other reserves and non-controlling interests in equity as presented in the condensed consolidated statement of changes in equity. This included €54 million recognised in the cumulative translation adjustment reserve, in addition to the remaining exchange differences arising on consolidation. The allocation of the opening balance adjustment is consistent with how the current period impacts are reported. The subsequent gains or losses resulting from the restatement of non-monetary assets and liabilities are recorded in the condensed consolidated income statement as net monetary gain arising from hyperinflationary economies. Comparative amounts presented in euro are not restated for subsequent changes in the price level or exchange rates. The results of the Turkish operations are restated to the index level at the end of the period, with hyperinflationary gains and losses being reported in net monetary gain arising from hyperinflationary economies.

The consumer price index for the year ended 31 December 2022 increased by 64% from 687 at 31 December 2021 to 1,128 at 31 December 2022. For the year ended 31 December 2022, the adjustments from hyperinflationary accounting have resulted in an increase in total assets of €91 million, an increase in Group revenue of €125 million, a decrease in underlying EBITDA of €44 million and a net monetary gain of €17 million. Comparative amounts presented in euro were not restated for subsequent changes in the price level or exchange rates.

IAS 29 requires judgement to determine when to apply hyperinflationary accounting and which general price index to select and other approximations to be made in order to restate the financial statements of subsidiaries operating in a hyperinflationary economy.

- A number of amendments to IFRS became effective for the financial period beginning on 1 January 2022, but the Group did not have to change its accounting policies or make any retrospective adjustments as a result of adopting these amendments.

Alternative Performance Measures

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

Since June 2022, the Group's operations in Russia have satisfied the criteria to be classified as held for sale and are reported as discontinued operations as at 31 December 2022 and for the year then ended (see note 15). For comparability purposes, the APMs based on amounts recognised in the condensed consolidated statement of financial position exclude the proportion of assets and liabilities attributable to the Russian operations; however, as required by IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations', no restatement of the IFRS condensed consolidated statement of financial position has been made for such items as at 31 December 2021. APMs measuring the profitability and cash flows of the Group are presented for continuing operations (i.e. excluding the results from the Russian discontinued operations) and comparatives are presented on the same basis, consistent with the presentation of the IFRS condensed consolidated income statement and IFRS condensed consolidated statement of cash flows. Where these changes have impacted the APMs for comparative periods, as presented previously, these have been described as restated.

3 Operating segments

The Group's operating segments are reported in a manner consistent with the internal reporting provided to the Executive Committee, the chief operating decision-making body. The operating segments are managed based on the nature of the underlying products produced by those businesses and comprise three (2021: four) distinct segments.

The Group's operations in Russia, comprising its high-margin, cost-competitive, integrated pulp, packaging paper and uncoated fine paper mill in Syktyvkar (Komi Republic) and three converting plants, are reported as discontinued operations. The discontinued operations' net profit and cash flows are presented separately in the condensed consolidated income statement and condensed consolidated statement of cash flows for all periods presented. Financial information relating to the discontinued operations is provided in note 15.

Effective from 30 June 2022 and following the completion of the sale of the Personal Care Components (PCC) business, the Group's operating segments were reorganised. Functional paper and films, previously part of the Engineered Materials operating segment, was moved to Flexible Packaging to strengthen integration along the kraft paper value chain and further support the development of innovative functional papers with barrier properties, fulfilling customers' needs for sustainable packaging. The remaining part of the previously reported Engineered Materials operating segment, namely the disposed PCC business (see note 16), has been reported in the Personal Care Components (divested) operating segment up to the date of disposal.

Accordingly, the Group has restated the previously reported segment information to present the Group's operations under the new organisational structure.

3 Operating segments (continued)

Year ended 31 December 2022^{1, 2}

€ million, unless otherwise stated	Corrugated Packaging	Flexible Packaging	Uncoated Fine Paper	Corporate	Personal Care Components (divested)	Intersegment elimination	Total continuing operations	Discontinued operations	Intersegment elimination ³	Total Group
Segment revenue	2,991	4,299	1,613	—	181	(143)	8,941		(39)	8,902
Internal revenue	(51)	(51)	(68)	—	(12)	143	(39)		39	—
External revenue	2,940	4,248	1,545	—	169	—	8,902		—	8,902
Underlying EBITDA	662	797	427	(39)	1	—	1,848		—	1,848
Depreciation and impairments ⁴	(133)	(181)	(70)	(1)	(3)	—	(388)		—	(388)
Amortisation	(7)	(8)	(2)	—	—	—	(17)		—	(17)
Underlying operating profit/(loss)	522	608	355	(40)	(2)	—	1,443		—	1,443
Special items before tax	—	—	—	—	242	—	242		—	242
Profit from discontinued operations								266	—	266
Capital employed ⁵	2,162	3,035	1,091	(67)	—	—	6,221	1,044	—	7,265
Trailing 12-month average capital employed	2,062	2,916	1,022	(78)	175	—	6,097	1,020	—	7,117
Additions to non-current non-financial assets	235	242	115	—	9	—	601		—	601
Capital expenditure cash payments	212	223	64	—	9	—	508		—	508
<i>Underlying EBITDA margin (%)</i>	<i>22.1</i>	<i>18.5</i>	<i>26.5</i>	<i>—</i>	<i>0.6</i>	<i>—</i>	<i>20.8</i>		<i>—</i>	<i>20.8</i>
<i>Return on capital employed (%)</i>	<i>25.3</i>	<i>20.9</i>	<i>34.7</i>	<i>—</i>	<i>(1.1)</i>	<i>—</i>	<i>23.7</i>		<i>—</i>	<i>26.0</i>
Average number of employees (thousands) ⁶	6.4	11.5	2.9	0.1	0.5	—	21.4	5.3	—	26.7

Notes:

1 The Group's operations in Russia are presented as held for sale and classified as discontinued operations. Therefore, in accordance with IFRS 5, the comparative figures for the year ended 31 December 2021 were restated to separate the net profit and cash flows associated with the Russian operations. The comparatives in the consolidated statement of financial position were not restated. Refer to notes 1 and 15 for further details

2 See definitions of APMs at the end of this document

3 Intersegment elimination of €39 million (2021: €63 million) relates to transactions with discontinued operations

4 Includes only impairment not classified as special items

5 Operating segment assets and operating segment net assets were replaced by capital employed in the table to further align the reporting of operating segments to be in a manner consistent with internal reporting to the chief operating decision-making body

6 Presented on a full-time employee equivalent basis

3 Operating segments (continued)

Year ended 31 December 2021 (restated)^{1, 2}

€ million, unless otherwise stated	Corrugated Packaging	Flexible Packaging	Uncoated Fine Paper	Corporate	Personal Care Components (divested)	Intersegment elimination	Total continuing operations	Discontinued operations	Intersegment elimination ³	Total Group
Segment revenue	2,349	3,292	1,194	—	335	(133)	7,037		(63)	6,974
Internal revenue	(56)	(53)	(59)	—	(28)	133	(63)		63	—
External revenue	2,293	3,239	1,135	—	307	—	6,974		—	6,974
Underlying EBITDA	543	567	55	(34)	26	—	1,157		—	1,157
Depreciation and impairments ⁴	(112)	(160)	(70)	(1)	(16)	—	(359)		—	(359)
Amortisation	(5)	(8)	(2)	—	(1)	—	(16)		—	(16)
Underlying operating profit/(loss)	426	399	(17)	(35)	9	—	782		—	782
Special items before tax	—	7	—	—	—	—	7		—	7
Profit from discontinued operations								213		213
Capital employed ⁵	1,907	2,745	965	(97)	372	—	5,892	760	—	6,652
Trailing 12-month average capital employed	1,754	2,667	983	(91)	359	—	5,672	677	—	6,349
Additions to non-current non-financial assets	258	174	133	6	24	—	595		—	595
Capital expenditure cash payments	189	182	85	2	23	—	481		—	481
<i>Underlying EBITDA margin (%)</i>	<i>23.1</i>	<i>17.2</i>	<i>4.6</i>	<i>—</i>	<i>7.8</i>	<i>—</i>	<i>16.6</i>		<i>—</i>	<i>16.6</i>
<i>Return on capital employed (%)</i>	<i>24.3</i>	<i>15.2</i>	<i>(1.7)</i>	<i>—</i>	<i>2.5</i>	<i>—</i>	<i>13.9</i>		<i>—</i>	<i>16.9</i>
Average number of employees (thousands) ⁶	5.9	11.2	3.0	0.1	0.9	—	21.1	5.3	—	26.4

Notes:

1 The Group's operations in Russia are presented as held for sale and classified as discontinued operations. Therefore, in accordance with IFRS 5, the comparative figures for the year ended 31 December 2021 were restated to separate the net profit and cash flows associated with the Russian operations. The comparatives in the consolidated statement of financial position were not restated. Refer to notes 1 and 15 for further details

2 See definitions of APMs at the end of this document

3 Intersegment elimination of €39 million (2021: €63 million) relates to transactions with discontinued operations

4 Includes only impairment not classified as special items

5 Operating segment assets and operating segment net assets were replaced by capital employed in the table to further align the reporting of operating segments to be in a manner consistent with internal reporting to the chief operating decision-making body

6 Presented on a full-time employee equivalent basis

3 Operating segments (continued)

External revenue by location of production and by location of customer¹

€ million	External revenue by location of production		External revenue by location of customer	
	2022	Restated 2021	2022	Restated 2021
Africa				
South Africa	667	451	498	394
Rest of Africa	74	56	436	272
Africa total	741	507	934	666
Western Europe				
Austria	1,640	1,280	203	159
Germany	808	877	1,188	996
UK	3	3	230	191
Rest of Western Europe	888	699	1,988	1,511
Western Europe total	3,339	2,859	3,609	2,857
Emerging Europe				
Czech Republic	820	602	286	223
Poland	1,587	1,242	851	707
Türkiye	589	434	693	512
Rest of emerging Europe ²	1,089	764	629	515
Emerging Europe total	4,085	3,042	2,459	1,957
Russia ^{1,3}	—	—	30	34
North America	634	480	1,000	804
South America	2	—	157	128
Asia and Australia	101	86	713	528
Group total	8,902	6,974	8,902	6,974

Notes:

1 Excludes external revenue of €1,178 million (2021: €749 million) generated by the discontinued operations (see note 15)

2 External revenue for Rest of emerging Europe by location of production and customer has been further analysed to what was presented previously to separately show revenue for Türkiye

3 External revenue to customers located in Russia is expected to cease in 2023

4 Special items

The Group separately discloses special items, an APM as defined at the end of this document, on the face of the condensed consolidated income statement to assist its stakeholders in understanding the underlying financial performance achieved by the Group on a basis that is comparable from year to year.

€ million	2022	2021
Operating special items		
Reversal of impairment of assets	—	4
Restructuring and closure costs:		
Personnel costs	—	5
Other restructuring and closure costs	—	(2)
Gain on disposal of business, net of related transaction costs (see note 16)	242	—
Total special items before tax	242	7
Tax (charge)/credit (see note 7)	(5)	2
Total special items	237	9

The operating special items resulted in a cash outflow from operating activities of €8 million for the year ended 31 December 2022 (2021: €15 million). The net cash received from the sale of the PCC business totalled €642 million and is presented within cash flows from investing activities.

To 31 December 2022

The special items during the year ended 31 December 2022 comprised:

- Personal Care Components (divested)
 - €242 million gain on the sale of the PCC business to Nitto Denko Corporation. Transaction costs of €6 million were also recognised in the prior year and were not treated as a special item. Further detail is provided in note 16.

4 Special items (continued)

To 31 December 2021

The special items during the year ended 31 December 2021 comprised:

- Flexible Packaging
 - Release of restructuring and closure provision of €2 million, partly offset by additional restructuring costs of €1 million, and reversal of impairment of assets of €1 million were recognised. All credit/(charges) related to special items from prior years.
 - Release of restructuring and closure provision of €2 million and partial reversal of impairment of assets of €3 million were recognised relating to the closure of a functional paper and films plant in the US. The credits are linked to a special item from prior years and were classified within the Engineered Materials operating segment before restructuring (see note 2). Total costs now amount to €9 million.

5 Write-down of inventories to net realisable value

€ million	2022	Restated 2021
Within materials, energy and consumables used		
Write-down of inventories to net realisable value	(65)	(42)
Aggregate reversal of previous write-downs of inventories	40	30

6 Net finance costs

€ million	2022	Restated 2021
Investment income		
Investment income	6	5
Net foreign currency losses		
Net foreign currency losses	(5)	(2)
Finance costs		
Interest expense		
Interest on bank overdrafts and loans	(133)	(75)
Interest on lease liabilities	(7)	(6)
Net interest expense on net retirement benefits liability	(6)	(5)
Total interest expense	(146)	(86)
Less: Interest capitalised	2	—
Total finance costs	(144)	(86)
Net finance costs	(143)	(83)

7 Taxation

The Group's effective rate of tax before special items for the year ended 31 December 2022 was 22% (2021: 22%).

€ million	2022	Restated 2021
UK corporation tax at 19% (2021: 19%)	—	—
Overseas tax	248	160
Current tax in respect of prior years	(8)	4
Current tax	240	164
Deferred tax in respect of the current year	64	(6)
Deferred tax in respect of prior years	(4)	(4)
Deferred tax attributable to a change in the rate of domestic income tax	(4)	—
Tax charge before special items	296	154
Current tax on special items	5	(1)
Deferred tax on special items	—	(1)
Tax credit on special items (see note 4)	5	(2)
Tax charge for the year	301	152
Current tax charge	245	163
Deferred tax charge/(credit)	56	(11)

8 Earnings per share (EPS)

	EPS attributable to shareholders	
euro cents	2022	Restated 2021
From continuing operations		
Basic EPS	244.5	112.0
Diluted EPS	244.4	111.9
Basic underlying EPS	195.6	110.1
Diluted underlying EPS	195.6	110.0
From discontinued operations		
Basic EPS	54.8	43.9
Diluted EPS	54.8	43.9
From continuing and discontinued operations		
Basic EPS	299.3	155.9
Diluted EPS	299.2	155.8
Basic total EPS (prior to special items)	250.4	154.0
Diluted total EPS (prior to special items)	250.4	153.9
Basic headline EPS	264.3	155.3
Diluted headline EPS	264.2	155.2

8 Earnings per share (EPS) (continued)

The calculation of basic and diluted EPS, basic and diluted total EPS (prior to special items) and basic and diluted headline EPS is based on the following data:

€ million	Earnings	
	2022	Restated 2021
Profit for the year attributable to shareholders	1,452	756
Arises from:		
Continuing operations	1,186	543
Discontinued operations ¹	266	213
Special items attributable to shareholders (see note 4)	(242)	(7)
Related tax (see note 4)	5	(2)
Total earnings for the year (prior to special items)	1,215	747
Arises from:		
Continuing operations	949	534
Discontinued operations ¹	266	213
Special items attributable to shareholders not excluded from headline earnings	—	3
(Gain)/loss on disposal of property, plant and equipment	(2)	1
Impairments not included in special items	11	—
Impairments included in profit from discontinued operations (see note 15)	57	—
Related tax	1	2
Headline earnings for the year	1,282	753

Note:

1 Profits from discontinued operations are wholly attributable to shareholders

million	Weighted average number of shares	
	2022	2021
Basic number of ordinary shares outstanding	485.1	485.0
Effect of dilutive potential ordinary shares	0.1	0.3
Diluted number of ordinary shares outstanding	485.2	485.3

9 Dividends

An interim dividend for the year ended 31 December 2022 of 21.67 euro cents per ordinary share was paid on Thursday 29 September 2022 to those shareholders on the register of Mondi plc on Friday 26 August 2022.

A proposed final dividend for the year ended 31 December 2022 of 48.33 euro cents per ordinary share will be paid on Friday 12 May 2023 to those shareholders on the register of Mondi plc on Friday 31 March 2023.

The final dividend proposed has been recommended by the Board and is subject to shareholder approval at the Annual General Meeting scheduled for 4 May 2023.

	2022		2021	
	euro cents per share	€ million	euro cents per share	€ million
Final dividend paid in respect of the prior year	45.00	218	41.00	201
Interim dividend paid in respect of the current year	21.67	103	20.00	97
Total dividends paid		321		298
Final dividend proposed to shareholders	48.33	234	45.00	218

9 Dividends (continued)

Dividend timetable

The proposed final dividend for the year ended 31 December 2022 of 48.33 euro cents per share will be paid in accordance with the following timetable:

Last date to trade shares cum-dividend

JSE Limited	Tuesday 28 March 2023
London Stock Exchange	Wednesday 29 March 2023

Shares commence trading ex-dividend

JSE Limited	Wednesday 29 March 2023
London Stock Exchange	Thursday 30 March 2023

Record date

Friday 31 March 2023

Last date for receipt of Dividend Reinvestment Plan (DRIP) elections by Central Securities Depository Participants

Thursday 6 April 2023

Last date for DRIP elections to UK Registrar and South African Transfer Secretaries

South African Register Tuesday 11 April 2023

UK Register Tuesday 18 April 2023

Payment date

Friday 12 May 2023

DRIP purchase settlement date (subject to market conditions and the purchase of shares in the open market)

UK Register Tuesday 16 May 2023

South African Register Thursday 18 May 2023

Currency conversion date

ZAR/euro Thursday 23 February 2023

Euro/sterling Thursday 20 April 2023

Share certificates on Mondi plc's South African register may not be dematerialised or rematerialised between Wednesday 29 March 2023 and Friday 31 March 2023, both dates inclusive, nor may transfers between the UK and South African registers of Mondi plc take place between Wednesday 22 March 2023 and Friday 31 March 2023, both dates inclusive.

Information relating to the dividend tax to be withheld from 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 Thursday 23 February 2023.

10 Goodwill

€ million	2022	2021
Net carrying value		
At 1 January	926	923
Hyperinflation monetary adjustment (see note 1)	10	—
Restated balance at 1 January	936	923
Disposal of businesses (see note 16)	(141)	—
Reclassification to assets held for sale (see note 15)	(34)	—
Hyperinflation monetary adjustment (see note 1)	11	—
Currency movements	(3)	3
At 31 December	769	926

11 Forestry assets

€ million	2022	2021
At 1 January	348	372
Investment in forestry assets	49	45
Fair value gains/(losses)	169	(7)
Felling costs	(78)	(62)
Currency movements	(3)	—
At 31 December	485	348
Mature	309	217
Immature	176	131

The fair value of forestry assets is a level 3 measure in terms of the fair value measurement hierarchy (see note 20), consistent with prior years. The fair value of forestry assets is determined using a market based approach.

12 Leases

The Group has entered into various lease agreements. The Group's right-of-use assets were €119 million at 31 December 2022 (2021: €177 million) and the related depreciation charge was €25 million (2021 (restated): €22 million). The decrease in the right-of-use assets is mainly driven by the Russian forestry leases, which have been reclassified to assets held for sale in June 2022.

13 Borrowings

The principal loan arrangements in place are the following:

€ million	Maturity	Interest rate %	2022	2021
Financing facilities				
Syndicated Revolving Credit Facility	June 2027 ¹	EURIBOR + margin	750	750
€500 million Eurobond	April 2024	1.500%	500	500
€600 million Eurobond	April 2026	1.625%	600	600
€750 million Eurobond	April 2028	2.375%	750	750
European Investment Bank Facility	June 2025	EURIBOR + margin	—	33
Long Term Facility Agreement	December 2026	EURIBOR + margin	27	70
Other	Various	Various	8	57
Total committed facilities			2,635	2,760
Drawn			(1,878)	(1,957)
Total committed facilities available			757	803

Note:

¹ The Group has opted for a one-year extension on the facility, which moved the maturity from June 2026 to June 2027

The Group's Eurobonds incur a fixed rate of interest. Swap agreements are utilised by the Group to raise non-euro-denominated currency to fund subsidiaries liquidity needs thereby exposing the Group to floating interest rates.

The €750 million 5-year revolving multi-currency credit facility agreement (RCF) incorporates key sustainability targets linked to MAP2030, classifying the facility as a Sustainability Linked Loan. Under the terms of the agreement, the margin will be adjusted according to the Group's performance against specified sustainability targets.

Short-term liquidity needs are met by cash and the RCF. As at 31 December 2022, the Group had no financial covenants in any of its financing facilities.

13 Borrowings (continued)

€ million	2022			2021		
	Current	Non-current	Total	Current	Non-current	Total
Secured						
Bank loans and overdrafts	1	—	1	2	1	3
Lease liabilities	19	109	128	20	184	204
Total secured	20	109	129	22	185	207
Unsecured						
Bonds	—	1,843	1,843	—	1,840	1,840
Bank loans and overdrafts	82	18	100	77	79	156
Other loans	—	—	—	25	—	25
Total unsecured	82	1,861	1,943	102	1,919	2,021
Total borrowings	102	1,970	2,072	124	2,104	2,228
Committed facilities drawn			1,878			1,957
Uncommitted facilities drawn			194			271

14 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 2022. Due to changes in assumptions and exchange rate movements, the net retirement benefits liability decreased by €42 million and the net retirement benefits asset decreased by €18 million. The assets backing the defined benefit scheme liabilities reflect their market values as at 31 December 2022. Net remeasurement gains arising from changes in assumptions and return on plan assets amounting to €5 million have been recognised in the condensed consolidated statement of comprehensive income.

15 Russian operations (discontinued operations)

The Group has significant operations in Russia. The most significant facility is a wholly owned integrated pulp, packaging paper and uncoated fine paper mill located in Syktyvkar (Komi Republic). The Group also has three packaging converting plants in Russia. All these facilities serve primarily the domestic market and have continued to operate throughout the year ended 31 December 2022.

On 4 May 2022, the Board decided to divest the Group's Russian assets. Given progress with the divestment process, the Board subsequently concluded, in June 2022, that the Russian operations satisfied the criteria to be classified as held for sale and that they should also be classified as discontinued operations.

Syktyvkar mill

On 12 August 2022, the Group entered into an agreement denominated in Russian rouble to sell its Syktyvkar mill, comprising OJSC Mondi Syktyvkar together with two affiliated entities, to Augment Investments Limited for a consideration of RUB 95 billion (€1.2 billion, at an exchange rate of 78.43 Russian rouble versus euro as at 31 December 2022), payable in cash on completion.

The Syktyvkar assets to be transferred to Augment Investments Limited as part of the proposed disposal exclude a cash balance of RUB 16 billion (€204 million, at an exchange rate of 78.43 Russian rouble versus euro as at 31 December 2022) to be paid by form of dividend to Mondi before completion.

The disposal is conditional on the approval of the Russian Federation's Government Sub-Commission for the Control of Foreign Investments and customary antitrust approvals and, as a Class 1 transaction under the UK Listing rules, it is also conditional upon the approval of Mondi's shareholders at a General Meeting. The disposal is being undertaken in an evolving political and regulatory environment, there can be no certainty as to when the disposal will be completed. The agreement with Augment Investments Limited has a long stop date of 12 May 2023 after which either party can terminate the agreement without recourse.

On 16 November 2022, OJSC Mondi Syktyvkar declared a dividend of RUB 16 billion (€252 million, at an exchange rate of 62.67 Russian rouble versus euro) in favour of a Group subsidiary. RUB 4 billion (€63 million, at an exchange rate of 62.67 Russian rouble versus euro) was settled on the date of declaration by way of set-off of an intercompany loan, and the residual amount of RUB 12 billion (€148 million, at an exchange rate of 78.43 Russian rouble versus euro as at 31 December 2022) remained unpaid as at 31 December 2022, causing a foreign currency loss of €36 million, which was recognised in profit from discontinued operations in the consolidated income statement. The payment of the dividend outside Russia requires consent from the Ministry of Finance of the Russian Federation, and therefore the dividend continues to expose the Group to Russian rouble exchange rate risk until it is paid and converted into euro.

15 Russian operations (discontinued operations) (continued)

Packaging converting plants

On 15 December 2022, the Group confirmed that it entered into an agreement denominated in Russian rouble to sell its three Russian packaging converting operations to the Goteck Group for a consideration of RUB 1.6 billion (€20 million, at an exchange rate of 78.43 Russian rouble versus euro as at 31 December 2022), payable in cash on completion. The three packaging converting operations comprise a corrugated solutions plant, LLC Mondi Lebedyan, and two consumer flexibles plants, LLC Mondi Aramil and LLC Mondi Pereslavl.

The disposal is conditional on the approval of the Russian Federation's Government Sub-Commission for the Control of Foreign Investments and customary antitrust approvals. The disposal is being undertaken in an evolving political and regulatory environment, there can be no certainty as to when it will be completed.

Following the announcement, the related assets were impaired by €57 million to their estimated fair value less costs to sell. If the operations had been disposed of as at 31 December 2022, the Group would have recognised an additional loss of €20 million from the recycling of the foreign currency losses accumulated in the currency translation adjustment reserve in equity through the consolidated income statement. The foreign currency loss that is ultimately recognised on disposal may differ from the position as at 31 December 2022, as it is subject to future movement in the Russian rouble exchange rate.

Critical accounting judgements and significant accounting estimates

In the context of an increased level of uncertainty, the Board has exercised critical judgements in applying its accounting policies and has used estimates and assumptions, as further described below.

Control assessment

The Board has applied its judgement in regard to whether the Group continues to control its Russian subsidiaries due to the restrictions imposed by the Russian government or any other authority. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The Russian government has introduced various sanctions in recent months, including restrictions on the payment of dividends to shareholders domiciled in 'unfriendly states' that require consent from the Ministry of Finance of the Russian Federation. Since the Group continued to direct the operations and the Russian regulations currently do not prohibit the declaration and payment of dividends, the Board has taken the view that the Group has retained control through the year ended 31 December 2022. Were the Board to conclude that the Group no longer retains control, the Russian operations would be treated as if they had been disposed of, with the associated assets and liabilities derecognised.

Held for sale and discontinued operations

The Board has exercised critical judgement in determining if and when the businesses satisfied the requirements to be classified as held for sale, and whether the Russian businesses should be presented as discontinued operations.

Assets are held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use, provided the assets are available for immediate sale in their present condition and a sale is highly probable. The divestment process is operationally and structurally complex and is being undertaken in an evolving political and regulatory environment. There is uncertainty as to when a transaction will be completed; however, the Board is committed to dispose of the Group's Russian operations, which is why the Board has determined that a sale is highly probable within the next 12 months and that, therefore, it is appropriate to adopt the held for sale presentation for the Group's assets and liabilities in Russia.

From the point at which this classification was first applied, in June 2022, depreciation on these Russian assets ceased. Notwithstanding that the Board has concluded that it considers a sale is highly probable, the evolving political and regulatory environment means that there can be no certainty as to whether a transaction will be concluded successfully. If the Board had concluded that a sale was not highly probable, the assets and liabilities would have continued to be consolidated on a line-by-line basis, as they had been historically, rather than being presented separately as assets held for sale and liabilities directly associated with assets held for sale.

As the assets and liabilities of the Russian operations have been classified as held for sale, the Board has to separately consider whether these businesses also represent a discontinued operation, being a component of an entity that either has been disposed of or is classified as held for sale, and which represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. In 2021, prior to the decision to classify as discontinued operations, the Russian operations represented around 10% of the Group's revenue by location of production and generated around 23% of the Group's underlying EBITDA. Taking into account its financial significance, the Board views the Russian operations as a distinct major geographical area of operations that, therefore, qualify for classification as discontinued operations.

Hence, in accordance with IFRS 5, the Group has reported its Russian businesses as discontinued operations as at 31 December 2022 and for the year then ended, with the comparative income statement and cash flow statement periods represented. Had the Board concluded that the businesses were not discontinued operations, they would instead have continued to be reported as part of continuing operations.

15 Russian operations (discontinued operations) (continued)

Valuation of Russian assets

Effective 24 February 2022, when the war in Ukraine started, the Board performed an impairment trigger assessment in respect of its Russian operations. Given the temporary deterioration of the Russian rouble and the sharp increase in interest rates, together with the increased uncertainty relating to the operational and financial performance of its businesses due to sanctions imposed by international governments and countermeasures implemented by the Russian state, the Board concluded that an impairment trigger existed and tested its CGUs in Russia for impairment using value-in-use calculations in accordance with IAS 36, 'Impairment of Assets'.

The key assumptions reflected in the cash flow forecasts included sales volumes, sales prices and variable input cost assumptions derived from a combination of economic and industry forecasts for individual product lines and the latest internal management projections approved by the Board. The cash flow projections were prepared in Russian roubles and a post-tax discount rate of 15% (equivalent to a pre-tax rate of 18%) was used for impairment testing.

Due to the increased uncertainty, no growth rate was assumed for the terminal value. At this time (at 24 February 2022), the carrying value of the Russian CGUs totalled RUB 66 billion (€677 million, at an exchange rate of 97.47 Russian rouble versus euro). Due to the increased level of uncertainty resulting from the war in Ukraine, the Board determined the recoverable amount of the CGUs based on three probability-weighted scenarios. Aside from the base scenario derived from the then latest internal management projections, management included a more optimistic and a pessimistic scenario in the calculation of the recoverable amount to address the uncertainty associated with the cash flow forecasts. The impairment calculation is sensitive to changes in key assumptions, in particular in relation to cash flow forecasts and the probability-weighting of scenarios. Sensitivity analyses were performed by increasing the weighting of the pessimistic case and at the same time reducing the weighting of the optimistic case. At 24 February 2022, no impairment was identified.

Given, as described below, that in June the Board determined that the Russian assets satisfied the criteria to be classified as held for sale, a further impairment test had to be performed. At this time (June 2022), the carrying value of the Russian CGUs totalled RUB 66 billion (€1,079 million, at an exchange rate of 61.16 Russian rouble versus euro). This impairment test was again performed using three probability weighted scenarios under a value-in-use calculation based on similar assumptions as described above for the test performed effective 24 February 2022. No impairment was identified.

Upon classification as held for sale in June 2022, the Board also assessed the fair value less costs to sell of the businesses, as required by IFRS 5 with no impairment identified.

At 31 December 2022, the fair value less costs to sell was reassessed. The Board has used a number of assumptions to estimate the fair value less costs to sell as at 31 December 2022. While the Group agreed upon the sale of its Syktyvkar mill and its three Russian packaging converting plants (as described above), there can be no certainty in this evolving political and regulatory environment as to when the transaction will be completed.

In determining the fair value less costs to sell of the Russian CGUs, the Board has taken into account the sales prices agreed upon with the buyers, the current status of and recent developments around the agreed transactions, the probability of government approval and available market information. Despite the uncertainty inherent to the agreed sales, and in the absence of contrary correspondence from the buyers and any government body, the Board has taken the view that the agreements signed with the buyers serve as the best information to measure the fair value less costs to sell of the Syktyvkar mill and the packaging converting operations respectively. On that basis, the Board concluded that no impairment of the Syktyvkar mill's assets was required as at 31 December 2022 and that an impairment of €57 million was recognised in relation to the assets of the packaging converting operations.

If there was a change to the known fact pattern of the planned transactions in the future, the Board would need to reassess the recoverability of the carrying value of the assets classified as held for sale as at 31 December 2022 based on that new fact pattern, and if any impairment were subsequently identified it would be recognised in the consolidated income statement during the year ending 31 December 2023. The Board continues to actively monitor any actions or events that may impact the completion of the agreed transactions, and hence the valuation of the Group's Russian CGUs.

15 Russian operations (discontinued operations) (continued)

Financial performance

The financial performance of the discontinued operations is set out below:

€ million	2022	2021 ¹
Total revenue	1,268	961
Internal revenue	(90)	(212)
External revenue	1,178	749
Operating expenses	(688)	(403)
EBITDA	490	346
Depreciation, amortisation and impairments ^{2, 3}	(86)	(64)
Operating profit	404	282
Net finance costs ⁴	(46)	(11)
Profit before tax	358	271
Related tax charge	(92)	(58)
Profit for the period from discontinued operations attributable to shareholders	266	213
Fair value gains arising from cash flow hedges of discontinued operations	1	—
Exchange differences on translation of discontinued operations	72	42
Remeasurements of retirement benefits plans of discontinued operations	1	1
Other comprehensive income from discontinued operations attributable to shareholders	74	43
Total comprehensive income from discontinued operations attributable to shareholders	340	256

Notes:

- 1 The Group's operations in Russia are presented as held for sale and classified as discontinued operations. Accordingly, the consolidated income statement and associated notes for the year ended 31 December 2021 were restated by the amounts included in this table, which are now classified as profit from discontinued operations in the consolidated income statement
- 2 Includes foreign exchange loss of €36 million relating to an unpaid dividend, as explained in the commentary above (2021: €nil)
- 3 On classification as held for sale, property, plant and equipment and intangible assets are no longer depreciated or amortised. Depreciation and amortisation for the year ended 31 December 2022 covers the period until the classification as held for sale in June 2022
- 4 Includes impairment of assets of €57 million (2021: €nil), as explained in the commentary above

€ million	2022	2021
Net cash generated from operating activities	350	286
Net cash used in investing activities	(68)	(91)
Net cash used in financing activities	(10)	(13)
Net increase in cash and cash equivalents of discontinued operations	272	182

The assets and liabilities were reclassified as held for sale in June 2022. The table below shows the carrying values of these assets and liabilities as at 31 December 2022.

€ million	2022
Property, plant and equipment	805
Goodwill	34
Intangible assets	4
Deferred tax assets	1
Inventories	131
Trade and other receivables	87
Cash and cash equivalents	320
Total assets held for sale	1,382
Borrowings	(102)
Trade and other payables	(131)
Current tax liabilities	(14)
Provisions	(14)
Net retirement benefits liability	(12)
Deferred tax liabilities	(52)
Total liabilities directly associated with assets classified as held for sale	(325)

The cumulative foreign exchange gain recognised in other comprehensive income in relation to the discontinued operations as at 31 December 2022 was €405 million and will be recycled through the condensed consolidated income statement on the date of disposal.

16 Disposal of businesses

To 31 December 2022

On 30 June 2022, the Group sold its Personal Care Components business (PCC) to Nitto Denko Corporation for an enterprise value of €615 million. The sale enables the Group to simplify its portfolio and focus on its strategic priority to grow in sustainable packaging. PCC, previously part of the Group's Engineered Materials operating segment, manufactured a range of components for personal and home care products needed in everyday life such as diapers, feminine care, adult incontinence and wipes.

The Board has applied judgement as to whether the disposal of the PCC business needs to be reported as a discontinued operation in accordance with IFRS 5. The PCC business did not represent a major line of business of the Group due to its small size relative to the rest of the Group and its limited integration with the Group's packaging and paper value chain. The Board concluded that the PCC business was not a discontinued operation and therefore it is reported as part of the continuing operations.

€ million	2022
Proceeds from the disposal of business per the consolidated statement of cash flows	642
Cash and cash equivalents disposed	15
Consideration in cash	657
Carrying amount of net assets disposed	(412)
Gain on reclassification of foreign currency translation reserve	4
Related transaction costs ¹	(7)
Gain on disposal of business, net of related transaction costs	242
Tax charge	(5)
Gain on disposal of business, net of related tax	237

Note:

¹ Excludes transaction costs of €6 million recognised in the prior year, which were not treated as a special item

The carrying amounts of assets and liabilities as at the date of sale (30 June 2022) were:

€ million	2022
Property, plant and equipment	174
Goodwill	141
Intangible assets	2
Inventories	58
Trade and other receivables	88
Cash and cash equivalents	15
Total assets	478
Trade and other payables	(49)
Provisions	(4)
Deferred tax liabilities	(8)
Other liabilities	(5)
Total liabilities	(66)
Carrying amount of net assets disposed	412

The carrying amount of net assets disposed includes an appropriate allocation of the goodwill previously allocated to the Engineered Materials operating segment between the value of the PCC business that was disposed of and the retained functional paper and films business.

To 31 December 2021

There were no disposals during the year ended 31 December 2021.

17 Consolidated cash flow analysis

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

€ million	2022	Restated 2021
Profit before tax from continuing operations	1,560	712
Depreciation and amortisation	394	375
Impairment of property, plant and equipment (not included in special items)	11	—
Share-based payments	11	9
Net cash flow effect of current and prior year special items	(253)	(22)
Net finance costs	143	83
Net monetary gain arising from hyperinflationary economies	(17)	—
Net profit from joint ventures	(1)	(6)
Decrease in provisions	(1)	(7)
Decrease in net retirement benefits	(12)	(15)
Net movement in working capital	(419)	(195)
Increase in inventories	(254)	(232)
Increase in operating receivables	(472)	(310)
Increase in operating payables	307	347
Fair value (gains)/losses on forestry assets	(169)	7
Felling costs	78	62
Gain on disposal of property, plant and equipment	(2)	—
Proceeds from insurance reimbursements for property damages	(8)	—
Other adjustments	(23)	(2)
Cash generated from continuing operations	1,292	1,001

(b) Cash and cash equivalents

€ million	2022	2021
Cash and cash equivalents per condensed consolidated statement of financial position	1,067	473
Bank overdrafts included in short-term borrowings	(6)	(18)
Cash and cash equivalents held by continuing operations (see note 17c)	1,061	455
Cash and cash equivalents classified as assets held for sale (see note 15)	320	—
Cash and cash equivalents per condensed consolidated statement of cash flows	1,381	455

The cash and cash equivalents of €1,067 million (2021: €473 million) include money market funds of €595 million (2021: €340 million) valued at fair value through profit and loss, with the remaining balance carried at amortised cost.

The fair value of cash and cash equivalents carried at amortised cost approximate their carrying values presented.

The Group operates in certain countries where the existence of exchange controls or access to hard currency may restrict the use of certain cash balances outside of those countries. In particular, the cash and cash equivalents classified as assets held for sale as per the table above are held by the Group's Russian discontinued operations and are subject to regulatory restrictions and, therefore, may not be available for general use by the other entities within the Group. These restrictions are not expected to have any material effect on the Group's ability to meet its ongoing obligations.

17 Consolidated cash flow analysis (continued)

(c) Movement in net debt

The Group's net debt position is as follows:

€ million	Cash and cash equivalents	Current financial asset investments	Debt due within 1 year ¹	Debt due after 1 year	Debt-related derivative financial instruments	Total net debt
At 1 January 2021	348	1	(94)	(2,050)	4	(1,791)
Cash flow ^{2,3}	108	—	27	(59)	12	88
Additions to lease liabilities	—	—	(9)	(26)	—	(35)
Disposal of lease liabilities	—	—	1	1	—	2
Acquired through business combinations	—	—	(16)	(1)	—	(17)
Movement in unamortised loan costs	—	—	—	(2)	—	(2)
Net movement in fair value of derivative financial instruments	—	—	—	—	(25)	(25)
Reclassification	—	—	(39)	39	—	—
Currency movements	(1)	—	24	(6)	—	17
At 31 December 2021	455	1	(106)	(2,104)	(9)	(1,763)
Cash flow ^{2,3}	908	—	32	53	82	1,075
Additions to lease liabilities	—	—	(15)	(35)	—	(50)
Disposal of lease liabilities	—	—	1	4	—	5
Movement in unamortised loan costs	—	—	—	(2)	—	(2)
Net movement in fair value of derivative financial instruments	—	—	—	—	(80)	(80)
Reclassification	—	—	(21)	21	—	—
Currency movements	18	—	10	(6)	—	22
At 31 December 2022	1,381	1	(99)	(2,069)	(7)	(793)
Reclassification to assets held for sale and liabilities directly associated with assets held for sale (see note 15)	(320)	—	3	99	—	(218)
Net debt as at 31 December 2022	1,061	1	(96)	(1,970)	(7)	(1,011)

Notes:

1 Excludes bank overdrafts of €6 million as at 31 December 2022 (31 December 2021: €18 million; 1 January 2021: €34 million), which are included in cash and cash equivalents (see note 17b)

2 Includes cash and cash equivalents acquired net of overdrafts through business combinations of €nil (2021: €3 million)

3 Includes cash and cash equivalents disposed of €15 million (2021: €nil) (see note 16)

The Group expensed interest of €140 million relating to its bank overdrafts, loans and lease liabilities (2021 (restated): €81 million). Included in this expense is €67 million (2021 (restated): €11 million) related to forward exchange rates on derivative contracts and interest paid on borrowings of €60 million (2021 (restated): €67 million). The settlement of debt-related derivatives shown as cash flow in the table above is recognised as net cash outflow from debt-related derivative financial instruments in the condensed consolidated statement of cash flows.

18 Capital commitments

Capital expenditure contracted for at the end of the financial year but not recognised as liabilities is as follows:

€ million	2022	Restated 2021
Intangible assets	2	1
Property, plant and equipment	441	273
Total capital commitments	443	274

19 Contingent liabilities

Contingent liabilities comprise aggregate amounts as at 31 December 2022 of €11 million (2021: €8 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 consolidated statement of financial position for either year presented.

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

20 Fair value measurement

Assets and liabilities that are measured at fair value, or where the fair value of financial instruments has been disclosed in the notes to the condensed 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)
- Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The assets measured at fair value on level 3 of the fair value measurement hierarchy are the Group's forestry assets as set out in note 11.

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

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

Specific valuation methodologies used to value financial instruments include the following:

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

Except as detailed below, the carrying values of financial instruments at amortised cost as presented in the condensed consolidated financial statements approximate their fair values.

€ million	Carrying amount		Fair value	
	2022	2021	2022	2021
Financial liabilities				
Borrowings	2,072	2,228	1,956	2,353

21 Related party transactions

The Group and its subsidiaries, in the ordinary course of business, enter into various sale, purchase and service transactions with associated undertakings in which the Group has a material interest. The related party transactions entered into by the Group have been contracted on an arm's-length basis.

Transactions between Mondi plc and its subsidiaries, which are related parties, and transactions between its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

€ million	Joint ventures	
	2022	2021
Sales to related parties	8	6
Purchases from related parties	715	238
Trade and other receivables from related parties	1	2
Trade and other payables due to related parties	112	50
Loans receivable from related parties	10	9

The increase in purchases from related parties and trade and other payables from related parties is mainly caused by wood purchases from a joint venture in Poland and wood price increases in 2022. None of the joint ventures are assessed as being individually material to the Group.

22 Events occurring after 31 December 2022

Aside from the final dividend proposed for 2022 (see note 9), there has been the following material reportable event since 31 December 2022:

- On 12 January 2023, the Group completed the acquisition of the Duino mill near Trieste (Italy) from the Burgo Group for a total consideration of €40 million. The mill operated one paper machine producing lightweight coated mechanical paper. Mondi plans to convert this paper machine to produce around 420,000 tonnes per annum of high-quality recycled containerboard for an estimated investment of around €200 million.

Production statistics

		2022	Restated 2021
Continuing operations			
Containerboard	000 tonnes	2,383	2,375
Kraft paper	000 tonnes	1,309	1,253
Uncoated fine paper	000 tonnes	913	1,068
Pulp	000 tonnes	3,566	3,398
Internal consumption	000 tonnes	3,103	3,007
Market pulp	000 tonnes	463	391
Corrugated solutions	million m ²	1,937	2,052
Paper bags	million units	5,994	5,928
Consumer flexibles	million m ²	2,039	2,057
Functional paper and films	million m ²	3,279	3,383

Exchange rates

versus euro	Average		Closing	
	2022	2021	2022	2021
South African rand (ZAR)	17.21	17.48	18.10	18.06
Czech koruna (CZK)	24.57	25.64	24.12	24.86
Polish zloty (PLN)	4.69	4.57	4.68	4.60
Pound sterling (GBP)	0.85	0.86	0.89	0.84
Russian rouble (RUB)	73.94	87.15	78.43	85.30
Turkish lira (TRY) ¹	17.41	10.51	19.96	15.23
US dollar (USD)	1.05	1.18	1.07	1.13

Note:

1 Hyperinflation accounting was adopted effective from 1 January 2022 to report the Group's operations in Türkiye (see note 1)

Alternative Performance Measures

The Group presents certain measures of financial performance, position or cash flows in the condensed consolidated financial statements that are not defined or specified according to IFRS in order to provide additional performance-related measures to its stakeholders. These measures, referred to as Alternative Performance Measures (APMs), are prepared on a consistent basis for all periods presented in this report.

By their nature, the APMs used by the Group are not necessarily uniformly applied by peer companies and therefore may not be comparable with similarly defined measures and disclosures applied by other companies. Such measures should not be viewed in isolation or as a substitute to the equivalent IFRS measure.

Internally, the Group and its operating segments apply the same APMs in a consistent manner in planning and reporting on performance to management and the Board. Two of the Group's APMs, total EBITDA and ROCE of continuing and discontinued operations, link to the Group's strategic framework and form part of the executive directors and senior management remuneration targets.

Since June 2022, the Group's operations in Russia have satisfied the criteria to be classified as held for sale and are reported as discontinued operations as at 31 December 2022 and for the year then ended (see note 15). For comparability purposes, the APMs based on amounts recognised in the condensed consolidated statement of financial position exclude the proportion of assets and liabilities attributable to the Russian operations; however, no restatement of the IFRS condensed consolidated statement of financial position has been made for such items as at 31 December 2021. APMs measuring the profitability and cash flows of the Group are presented for continuing operations (i.e. excluding the results from the Russian discontinued operations) and comparatives are presented on the same basis, consistent with the presentation of the IFRS condensed consolidated income statement and IFRS condensed consolidated statement of cash flows. Where these changes have impacted the APMs for comparative periods, as presented previously, these have been described as restated.

The most significant APMs used by the Group are described below, together with a reconciliation to the equivalent IFRS measure based on Group figures. The reporting segment equivalent APMs are measured in a consistent manner.

APM description and purpose	Financial statement reference	Closest IFRS equivalent measure
Special items		
Special items are generally material, non-recurring items that exceed €10 million. The Audit Committee regularly assesses the monetary threshold of €10 million and considers the threshold in the context of both the Group as a whole and individual operating segment performance.	Note 4	None
The Group separately discloses special items on the face of the condensed consolidated income statement to assist its stakeholders in understanding the underlying financial performance achieved by the Group on a basis that is comparable from year to year.		
Subsequent adjustments to items previously recognised as special items continue to be reflected as special items in future periods even if they do not exceed the quantitative reporting threshold.		
Underlying EBITDA		
Operating profit before special items, depreciation, amortisation and impairments not recorded as special items provides a measure of the cash-generating ability of the Group's continuing operations that is comparable from year to year.	Condensed consolidated income statement	Operating profit
Underlying EBITDA margin		
Underlying EBITDA expressed as a percentage of Group revenue (segment revenue for operating segments) provides a measure of the cash-generating ability relative to revenue.		None
APM calculation:		
€ million, unless otherwise stated	2022	Restated 2021
Underlying EBITDA (see condensed consolidated income statement)	1,848	1,157
Group revenue (see condensed consolidated income statement)	8,902	6,974
Underlying EBITDA margin (%)	20.8	16.6

APM description and purpose	Financial statement reference	Closest IFRS equivalent measure
Total EBITDA (prior to special items)		
Operating profit before special items, depreciation, amortisation and impairments not recorded as special items provides a measure of the cash-generating ability of the business that is comparable from year to year.		Operating profit
Total EBITDA (prior to special items) is calculated to show the total from continuing and discontinued operations as if the EBITDA of the Russian operations was not separately disclosed as arising from discontinued operations.		
APM calculation:		
€ million, unless otherwise stated	2022	Restated 2021
EBITDA from continuing operations (see condensed consolidated income statement)	2,090	1,160
EBITDA from discontinued operations (see note 15)	490	346
Special items (see condensed consolidated income statement)	(242)	(3)
Total EBITDA (prior to special items)	2,338	1,503
Underlying operating profit		
Operating profit from continuing operations before special items provides a measure of operating performance that is comparable from year to year.	Condensed consolidated income statement	Operating profit
Underlying operating profit margin from continuing operations		
Underlying operating profit expressed as a percentage of Group revenue (segment revenue for operating segments) provides a measure of the profitability of the operations relative to revenue.		None
APM calculation:		
€ million, unless otherwise stated	2022	Restated 2021
Underlying operating profit (see condensed consolidated income statement)	1,443	782
Group revenue (see condensed consolidated income statement)	8,902	6,974
Underlying operating profit margin (%)	16.2	11.2
Net interest expense		
Net interest expense comprises interest expense on bank overdrafts, loans and lease liabilities net of investment income.		None
Net interest expense provides an absolute measure of the net cost of borrowings.		
APM calculation:		
€ million	2022	Restated 2021
Investment income (see note 6)	6	5
Interest on bank overdrafts and loans (see note 6)	(133)	(75)
Interest on lease liabilities (see note 6)	(7)	(6)
Net interest expense	(134)	(76)
Underlying profit before tax		
Profit before tax and special items for continuing operations. Underlying profit before tax provides a measure of the Group's profitability before tax that is comparable from year to year.	Condensed consolidated income statement	Profit before tax

APM description and purpose	Financial statement reference	Closest IFRS equivalent measure
Effective tax rate		
Underlying tax charge expressed as a percentage of underlying profit before tax.		None
A measure of the Group's tax charge relative to its profit before tax expressed on an underlying basis.		
APM calculation:		
€ million, unless otherwise stated	2022	Restated 2021
Tax charge before special items (see note 7)	296	154
Underlying profit before tax (see condensed consolidated income statement)	1,318	705
Effective tax rate (%)	22	22
Underlying earnings (and per share measure)		
Net profit after tax attributable to shareholders from continuing operations, before special items.	Note 8	Profit for the period attributable to shareholders (and per share measure)
Underlying earnings (and the related per share measure based on the basic, weighted average number of ordinary shares outstanding) provides a measure of the continuing operations' earnings.		
Total earnings (prior to special items) (and per share measure)		
Net profit after tax attributable to shareholders, before special items, from continuing operations and discontinued operations.	Note 8	Profit for the period attributable to shareholders (and per share measure)
Total earnings (and the related per share measure based on the basic, weighted average number of ordinary shares outstanding), provides a measure of the Group's earnings.		
Headline earnings (and per share measure)		
The presentation of headline earnings (and the related per share measure based on the basic, weighted average number of ordinary shares outstanding) is mandated under the Listings Requirements of the JSE Limited and is calculated in accordance with Circular 1/2021, 'Headline Earnings', as issued by the South African Institute of Chartered Accountants.	Note 8	Profit for the period attributable to shareholders (and per share measure)
Dividend cover		
Basic underlying EPS from continuing operations divided by total ordinary dividend per share paid and proposed provides a measure of the Group's earnings relative to ordinary dividend payments.		None
The 2021 dividend cover is based on total EPS, as the dividend was paid prior to reclassifying the Russian assets as held for sale and reporting them as discontinued operations.		
APM calculation:		
euro cents, unless otherwise stated		2022
Basic underlying EPS (see note 8)		195.6
Total ordinary dividend per share (see note 9)		70.0
Dividend cover (times)		2.8
euro cents, unless otherwise stated		
Basic total EPS (prior to special items) (see note 8)		154.0
Total ordinary dividend per share (see note 9)		65.0
Dividend cover (times)		2.4
Capital employed (and related trailing 12-month average capital employed)		
Capital employed comprises total equity and net debt. Trailing 12-month average capital employed is the average monthly capital employed over the last 12 months adjusted for spend on major capital expenditure projects which are not yet in production.	Note 3	Total equity
These measures provide the level of invested capital in the business. Trailing 12-month average capital employed is used in the calculation of return on capital employed.		

APM description and purpose	Financial statement reference	Closest IFRS equivalent measure
Return on capital employed (ROCE)		
Trailing 12-month underlying operating profit, including share of associates' and joint ventures' net profit/(loss), divided by trailing 12-month average capital employed. ROCE provides a measure of the efficient and effective use of capital in the business and is presented on the basis of continuing operations for comparability.		None
APM calculation:		
€ million, unless otherwise stated	2022	2021
Trailing 12-month underlying operating profit (see condensed consolidated income statement)	1,443	782
Trailing 12-month underlying net profit from joint ventures (see condensed consolidated income statement)	1	6
Trailing 12-month underlying profit from operations and joint ventures	1,444	788
Trailing 12-month average capital employed (see note 3)	6,097	5,672
ROCE from continuing operations (%)	23.7	13.9

The ROCE from continuing operations and discontinued operations is calculated to show as if the net profit of the Russian operations was not separately disclosed as arising from discontinued operations.

APM calculation:

€ million, unless otherwise stated	2022	Restated 2021
Underlying profit from continuing operations and joint ventures (see above)	1,444	788
Operating profit from discontinued operations (see note 15)	404	282
Profit from operations and joint ventures of the Group before special items (incl. discontinued operations)	1,848	1,070
Trailing 12-month average capital employed of the Group (incl. discontinued operations) (see note 3)	7,117	6,349
ROCE from continuing and discontinued operations (%)	26.0	16.9

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, net of overdrafts, and current financial asset investments. Trailing 12-month average net debt is the average monthly net debt over the last 12 months. Net debt of continuing operations and trailing 12-month average net debt has been adjusted for net debt of the discontinued operations for comparability.

Net debt provides a measure of the Group's net indebtedness or overall leverage.

APM calculation:

€ million	2022	Restated 2021
Net debt (see note 17c)	1,011	1,763
Net debt of discontinued operations	—	(74)
Net debt of continuing operations	1,011	1,689

Net debt to underlying EBITDA

Net debt divided by trailing 12-month underlying EBITDA. A measure of the Group's net indebtedness relative to its cash-generating ability.

APM calculation:

€ million, unless otherwise stated	2022	Restated 2021
Net debt of continuing operations (see note 17c)	1,011	1,689
Underlying EBITDA (see condensed consolidated income statement)	1,848	1,157
Net debt to underlying EBITDA (times)	0.5	1.5

APM description and purpose	Financial statement reference	Closest IFRS equivalent measure
Working capital as a percentage of revenue		
Working capital, defined as the sum of trade and other receivables and inventories less trade and other payables, expressed as a percentage of annualised Group revenue, which is calculated based on an extrapolation of average monthly year-to-date revenue. A measure of the Group's effective use of working capital relative to revenue. Working capital has been adjusted for working capital of the discontinued operations in comparative periods for comparability purposes.		None
APM calculation:		
€ million, unless otherwise stated	2022	Restated 2021
Inventories (see condensed consolidated statement of financial position)	1,359	1,099
Trade and other receivables (see condensed consolidated statement of financial position)	1,448	1,333
Trade and other payables (see condensed consolidated statement of financial position)	(1,525)	(1,444)
Working capital	1,282	988
Working capital of discontinued operations	—	(44)
Working capital of continuing operations	1,282	944
Group revenue (see condensed consolidated income statement)	8,902	6,974
Working capital as a percentage of revenue (%)	14	14
Gearing		
Net debt expressed as a percentage of capital employed provides a measure of the financial leverage of the Group. Net debt and capital employed is adjusted for the discontinued operations for comparability.		None
APM calculation:		
€ million, unless otherwise stated	2022	Restated 2021
Net debt (see note 17c)	1,011	1,689
Capital employed of continuing operations	6,221	5,892
Gearing (%)	16.3	28.7
Cash flow generation		
A measure of the Group's cash generation before considering deployment of cash towards investment in property, plant and equipment ('capex' or 'capital expenditure'), acquisitions and disposals of businesses, investment in associates and joint ventures, payment of dividends to shareholders, acquisition or sale of non-controlling interests in a subsidiary and proceeds from and repayment of borrowings. Cash flow generation is a measure of the Group's ability to generate cash through the cycle before considering deployment of such cash.		Net increase/(decrease) in cash and cash equivalents
The cash flow generation is adjusted for the cash flows from the discontinued operations for comparability and has been re-presented for the effect from non-controlling interests bought out of €3 million for the year ended 31 December 2021.		
APM calculation:		
€ million	2022	Restated 2021
Net increase in cash and cash equivalents	908	108
Net increase in cash and cash equivalents from discontinued operations	(272)	(182)
Investment in property, plant and equipment	508	481
Acquisition of businesses, net of cash and cash equivalents	—	63
Proceeds from the disposal of business, net of cash and cash equivalents	(642)	—
Investment in joint ventures	—	1
Dividends paid to shareholders	321	298
Non-controlling interests bought out	—	3
Net repayment/(proceeds) of borrowings	83	(34)
Proceeds from other medium- and long-term borrowings	—	(59)
Repayment of other medium- and long-term borrowings	53	—
Net repayment of short-term borrowings	9	4
Repayment of lease liabilities	21	21
Cash flow generation	906	738

Forward-looking statements

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

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

Mondi expressly disclaims a) any warranty or liability as to accuracy or completeness of the information provided herein; and b) any obligation or undertaking to review or confirm analysts' expectations or estimates or to update any forward-looking statements to reflect any change in Mondi's expectations or any events that occur or circumstances that arise after the date of making any forward-looking statements, unless required to do so by applicable law or any regulatory body applicable to Mondi, including the JSE Limited and the LSE. Any reference to future financial performance included in this announcement has not been reviewed or reported on by the Group's auditors.

Editors' notes

Mondi is a global leader in packaging and paper, contributing to a better world by making innovative solutions that are sustainable by design. Our business is integrated across the value chain – from managing forests and producing pulp, paper and films, to developing and manufacturing sustainable consumer and industrial packaging solutions using paper where possible, plastic when useful. Sustainability is at the centre of our strategy, with our ambitious commitments to 2030 focused on circular driven solutions, created by empowered people, taking action on climate.

In 2022, Mondi had revenues of €8.9 billion and underlying EBITDA of €1.8 billion from continuing operations, and employed 22,000 people worldwide. Mondi has a premium listing on the London Stock Exchange (MNDI), where the Group is a FTSE100 constituent, and also has a secondary listing on the JSE Limited (MNP).

mondigroup.com

Sponsor in South Africa: Merrill Lynch South Africa Proprietary Limited t/a BofA Securities.