Mondi Limited

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

Mondi plc

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

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

3 August 2018

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

This announcement contains inside information.

Half-yearly results for the six months ended 30 June 2018

Highlights

- **Strong financial performance**
  - Underlying EBITDA of €852 million, up 17%, with margin of 22.9%
  - Profit before tax of €490 million, up 6%
  - Basic underlying earnings of 89.2 euro cents per share, up 26%
  - Cash generated from operations up 18%
  - Return on capital employed 21.3%
- **Excellent performance from Packaging Paper**
- **Good progress on major capital investment projects**
- **Integration of recent acquisitions on track, expanding the Group's containerboard portfolio and network of industrial bag plants in high growth regions**
- **Interim dividend declared of 21.45 euro cents per share**

Financial Summary

€ million, except for percentages and per share measures	Six months ended 30 June 2018	(Restated)[1] Six months ended 30 June 2017	(Restated)[1] Six months ended 31 December 2017
Group revenue	**3,727**	3,582	3,514
Underlying EBITDA[2]	**852**	730	752
Underlying operating profit[2]	**630**	503	526
Operating profit	**530**	508	460
Profit before tax	**490**	461	423
Per share measures			
Basic underlying earnings per share[2] (euro cents)	**89.2**	71.0	77.9
Basic earnings per share (euro cents)	**72.5**	72.1	65.8
Interim dividend per share (euro cents)	**21.45**	19.10	
Cash generated from operations	**722**	612	751
Net debt[2]	**2,450**	1,679	1,532
Underlying EBITDA margin[2]	**22.9%**	20.4%	21.4%
Group return on capital employed (ROCE)[2]	**21.3%**	18.5%	19.3%

Notes:

1 The Group has early adopted the new 'Leases' accounting standard, IFRS 16. Consequently, the audited annual financial statements for the year ended 31 December 2017 and the reviewed interim financial statements for the six months ended 30 June 2017 have been restated. Further details are disclosed in notes 2a and 2b of the condensed combined and consolidated financial statements

2 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 combined and consolidated financial statements. APMs are prepared on a consistent basis for all periods presented in this report

Peter Oswald, Mondi Group Chief Executive Officer, said:

"Mondi delivered a strong performance in the first half of 2018, with underlying EBITDA of €852 million, up 17% in the period. We benefited from good demand across our packaging businesses as well as higher average selling prices, while remaining focused on initiatives to drive performance and mitigate inflationary pressures on our cost base. We saw a strong operational performance across the pulp and paper businesses, with the exception of the extended shut at our Richards Bay mill (South Africa).

We continue to make good progress in securing future growth and ensuring the ongoing cost competitiveness of our operations through the delivery of our major capital expenditure programme of over €750 million, which is expected to contribute to earnings from 2019. The modernisation of our kraft paper facility in Štětí (Czech Republic) is on track to start-up in late 2018 and work to upgrade the pulp mill at our Ružomberok mill (Slovakia) has commenced, while we await final permits to proceed with our investment in a new 300,000 tonne kraft top white machine at the same site. We continue to make good progress on smaller capital expenditure projects at a number of our packaging operations, while integration of the recently completed acquisitions is progressing according to plan.

The trading environment remains positive going into the second half of the year, with pricing in key fibre based product segments remaining supportive. The second half of the year will be impacted by the usual seasonal downturn in

Uncoated Fine Paper. We also expect continued pressure on the cost base across the Group, mitigated by our ongoing proactive and comprehensive cost reduction programmes.

Mondi is uniquely positioned to develop sustainable fibre and plastic based packaging solutions. With our robust business model, focus on leveraging key industry trends of sustainability, e-commerce and convenience, and culture of driving performance, we remain confident of sustaining our track record of delivering value accretive growth."

Group performance review

Underlying EBITDA for the half-year ended 30 June 2018 of €852 million was up 17% compared to the first half of 2017. Stable volumes and higher prices more than offset higher costs, negative currency effects and the impact of maintenance shuts. The fibre based packaging value chain, comprising Packaging Paper and Fibre Packaging, was the main contributor to the improved performance, driven by a combination of higher prices and strong operational performance.

Revenue was up 4% on a like-for-like basis, supported by higher average selling prices across all our businesses and volume growth in Containerboard and Industrial Bags. Input costs were higher than the comparable prior year period with the notable exception of paper for recycling costs, with average European benchmark prices down 27% and 30% on the comparable prior year period and the second half of 2017, respectively. While there remains uncertainty, caused mainly by Chinese import policies, we are seeing signs of stabilisation in European paper for recycling markets, with benchmark prices holding steady during the second quarter and July. Wood costs were generally higher in local currency terms in northern and central Europe during the first half of the year. Energy costs were higher than the comparable prior year period driven by increasing commodity input prices. Cash fixed costs were higher as a result of inflationary cost pressures across the Group and the impact of mill maintenance shuts. Depreciation and amortisation charges were marginally lower during the period.

In June 2018, we completed the acquisition of Powerflute, an integrated pulp and paper mill in Kuopio (Finland) with an annual production capacity of 285,000 tonnes of high-performance semi-chemical fluting, for a total consideration of €363 million on a debt and cash-free basis. We are pleased with the progress made to date with the integration of this business, which further broadens our containerboard product portfolio and geographic reach.

In the first half of 2018, we completed a longer than anticipated annual maintenance shut at our Richards Bay mill, a maintenance shut at our Syktyvkar mill (Russia) and smaller shuts at some of our other mills. The balance of our maintenance shuts are scheduled for the second half of the year. Based on prevailing market prices, the full year impact on underlying EBITDA of the Group's maintenance shuts is estimated at around €115 million (2017: €95 million) of which the first half effect was around €55 million (2017: €40 million).

Currency movements had a net negative impact on underlying EBITDA versus the comparable prior year period. The weaker US dollar had a net negative impact mainly on dollar denominated sales of a number of the Group's globally traded products, while the weaker Russian rouble had a net negative impact on translation of the profits of the domestically focused Uncoated Fine Paper business.

Basic underlying earnings were up 26% to 89.2 euro cents per share, with strong improvement in underlying operating profit and lower net finance charges partly offset by an increase in the effective tax rate from 19% in the prior year period to 22% in the current period. After taking the effect of special items into account, basic earnings of 72.5 euro cents per share were up 1% on the comparable prior year period.

An interim dividend of 21.45 euro cents per share has been declared.

Packaging Paper

€ million	Six months ended 30 June 2018	(Restated) Six months ended 30 June 2017	(Restated) Six months ended 31 December 2017
Segment revenue	**1,311**	1,141	1,151
Underlying EBITDA	**430**	301	338
Underlying operating profit	**351**	226	258
Special items (charge)/income	**(55)**	5	(2)
Capital expenditure	**172**	122	161
Net segment assets	**2,568**	2,087	2,169
Underlying EBITDA margin	**32.8%**	26.4%	29.4%
ROCE	**31.3%**	22.8%	25.6%

Underlying EBITDA of €430 million was up 43% on the comparable prior year period with higher selling prices, higher sales volumes and a better mix more than offsetting higher costs and negative currency effects.

Containerboard markets remain robust, with good demand and limited capacity additions continuing to support pricing. Selling prices were up significantly on the prior year period and up sequentially, following price increases implemented through the course of 2017 and during the first quarter of 2018. Average benchmark European selling prices for unbleached kraftliner were up 24% on the comparable prior year period and up 7% on the second half of 2017, while average benchmark European selling prices for recycled containerboard were up 18% on the first half of 2017, and up 6% sequentially. By contrast, benchmark white top kraftliner and semi-chemical fluting prices were up a more modest 8% to 11% on the comparable year and 5% to 6% up on the preceding six month period. Margins in containerboard were further supported by the significant decline in paper for recycling prices. On an annual basis, the Group consumes around 1.3 million tonnes of paper for recycling in the production of containerboard.

In response to sustained good demand, a strong order position and higher input costs, we have announced further price increases of €40/tonne for selected virgin containerboard grades to take effect across European markets from September 2018.

From January 2018, we implemented sack kraft paper price increases in the range of 8% to 9% compared to average 2017 price levels across all geographies. Markets remain very tight, with good demand, particularly in our export markets, coupled with constrained supply. At the end of the second quarter, further price increases in the range of 5% to 7% were implemented in Europe, where most of our volumes are integrated. In overseas markets, price increases are being implemented for the limited volumes that are not fixed by annual contracts.

We continue to see good demand across our range of speciality kraft papers in Europe, supported by the drive to replace plastic carrier bags with paper-based alternatives. Selling prices were, on average, higher than the comparable prior year period and higher than the second half of 2017.

With the exception of paper for recycling, costs were above the comparable prior year period, mitigated by our ongoing cost reduction programmes. We saw higher wood and energy costs, inflationary increases on cash fixed costs and a higher depreciation charge during the period. The business benefited from higher average green energy prices in Poland. In the first six months of the year, we completed a planned maintenance shut at our Syktyvkar mill and an extended shut at our facility in Richards Bay. During the second half of the year, planned maintenance shuts are scheduled at Świecie (Poland) and the majority of our kraft paper mills, including an extended shut at Štětí as we progress to commission the modernisation of this operation.

In May 2018, we decided to stop production of in-line silicone coated products at our facility in Štětí. The Group had rebuilt one of its paper machines at the mill with an in-line coating extension, an innovative process technology. Despite the progress achieved, the improvements did not outweigh the increased technical challenges and process complexity. Production of speciality kraft paper at the machine will continue, while we will revert to off-line coating at our release liner operations to continue to serve our customers. A related net special item charge of €55 million has been recorded in the period.

In June 2018, we completed the sale of a flat sack kraft paper mill in Pine Bluff, Arkansas (US) with 130,000 tonnes of annual production capacity.

Fibre Packaging

€ million	Six months ended 30 June 2018	(Restated) Six months ended 30 June 2017	(Restated) Six months ended 31 December 2017
Segment revenue	**1,067**	1,031	1,024
Underlying EBITDA	**105**	101	93
Underlying operating profit	**65**	61	51
Capital expenditure	**53**	47	68
Net segment assets	**1,146**	1,065	1,077
Underlying EBITDA margin	**9.8%**	9.8%	9.1%
ROCE	**11.2%**	13.0%	11.2%

Underlying EBITDA of €105 million was up 4% on the comparable prior year period, with higher average selling prices more than offsetting higher costs and negative currency effects.

Corrugated Packaging made very good progress in implementing price increases required to compensate for the significantly higher paper input costs and negative currency effects, while it continues to benefit from growing e-commerce activity. Sales volumes were stable on a strong comparable prior year period. The business remains focused on continuous improvements to reduce conversion costs and further enhance its product offering, quality and service to customers.

Industrial Bags volumes were up 3.6% on the comparable prior year period, with strong growth in Iberia, emerging Europe, Middle East and West Africa more than offsetting weaker US volumes. As previously reported, annual contracts for 2018 were finalised during the first quarter, with price increases implemented that largely reflected the full impact on the cost base of the paper price increases that took effect from the beginning of the year. Further price increases are being negotiated following recent increases in paper input costs, albeit the ability to influence pricing in the short term is limited due to the prevalence of annual contracts. The business benefited from good cost management and restructuring measures to optimise the plant network in Europe and North America that were implemented during 2017. Industrial Bags, together with the other Fibre Packaging businesses, is working closely with Consumer Packaging to develop paper based consumer packaging solutions.

In June 2018, we acquired an industrial bags plant in Giza near Cairo (Egypt), for a total consideration of EGP510 million (€25 million) on a debt and cash-free basis. This acquisition bolsters our leading position in the fast growing Middle East industrial bags market and will allow us to better serve our customers in the region. We have also agreed to acquire a control position in another plant near Cairo which is expected to complete in the third quarter.

Consumer Packaging

€ million	Six months ended 30 June 2018	(Restated) Six months ended 30 June 2017	(Restated) Six months ended 31 December 2017
Segment revenue	**822**	839	807
Underlying EBITDA	**103**	109	113
Underlying operating profit	**63**	64	70
Special items charge	**(27)**	—	(49)
Capital expenditure	**38**	36	55
Net segment assets	**1,295**	1,327	1,326
Underlying EBITDA margin	**12.5%**	13.0%	14.0%
ROCE	**10.4%**	9.8%	10.4%

Underlying EBITDA of €103 million was down on the comparable prior year period, as steady underlying performance was offset by negative currency and one-off effects.

The business benefited from good growth in selected value-added segments in technical films and consumer goods packaging, and the programme launched in the second half of 2017 to restructure the cost base. Short-term performance was held back by declining volumes in personal care components and certain weaker plants in the portfolio.

In continuing to drive performance by aligning capacity to current market requirements, we are progressing with the restructuring of our UK operations, including the closure of our plant in Scunthorpe in the second half of the year. A related net special item charge of €24 million was recorded in the period.

We continue to drive various commercial excellence and innovation initiatives, aimed at improving our product and service offering to customers. As previously disclosed, our commitment to work collaboratively with other stakeholders led us to join the Ellen MacArthur Foundation New Plastics Economy Initiative in 2017. We are actively working with our customers, suppliers and recycling companies to find innovative solutions that improve the sustainability of packaging. We believe flexible packaging, which typically uses 70% less plastic than rigid based alternatives, can contribute towards a global sustainable plastics system, based on circular economy principles. Furthermore, we continue to seek opportunities to leverage our customer relationships and product know-how across our packaging businesses, being in a unique position as a leading producer of both plastics and paper based solutions.

Uncoated Fine Paper

€ million	Six months ended 30 June 2018	(Restated) Six months ended 30 June 2017	(Restated) Six months ended 31 December 2017
Segment revenue	**941**	947	885
Underlying EBITDA	**230**	240	224
Underlying operating profit	**168**	174	163
Special item charge	**(18)**	—	(15)
Capital expenditure	**84**	49	73
Net segment assets	**1,523**	1,508	1,515
Underlying EBITDA margin	**24.4%**	25.3%	25.3%
ROCE	**26.5%**	27.1%	26.6%

Our Uncoated Fine Paper business continued to perform strongly, with underlying EBITDA of €230 million and ROCE of 26.5%. Underlying EBITDA was down 4% on the comparable prior year period as higher average selling prices were offset by higher costs, the impact of the extended shut at Richards Bay, a lower fair value gain and negative currency effects, mainly from a weaker Russian rouble and US dollar compared to the prior year period.

Uncoated fine paper sales volumes were higher than the prior year period despite the ongoing structural decline in overall market demand in mature markets, as we continue to benefit from our superior cost positioning and emerging market exposure. Average benchmark European uncoated fine paper selling prices were up 6% on the comparable prior year period and 3% up sequentially, following the implementation of price increases through the course of 2017 and at the end of March 2018. As a result of continued cost pressures, we implemented price increases in July of between 2% and 6% for our range of uncoated fine papers in Europe with a further price increase of up to 6% announced for implementation in September.

Variable input costs increased due to higher wood, chemical and energy costs, while fixed costs were higher due to domestic inflationary cost pressures and maintenance shuts; partly compensated by our ongoing cost reduction initiatives. The forestry fair value gain of €13 million was down €7 million on the prior year period.

Due to the declining margins on unintegrated paper production following the rapid rise in hardwood pulp input costs, we will cease production at one of our uncoated fine paper machines at Merebank (South Africa) during the second half, which was operating at 70,000 tonnes per annum production capacity, leading to a net special item charge of €18 million in the period.

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

During the period we completed a planned maintenance shut at our Syktyvkar mill and extended shut at our facility in Richards Bay. Maintenance shuts at our Ružomberok and Neusiedler (Austria) mills are scheduled for the second half of the year. In line with previous years, the second half is also expected to be impacted by a seasonal slowdown in demand during the European summer months.

Tax

The underlying effective tax rate in the first half was 22%, above the comparable prior year period and in line with our expectation as previously disclosed. The increase in tax rate is partly due to the full utilisation in 2017 of key tax incentives in Poland. In addition, in the prior year we recognised deferred tax assets related to previously unrecognised tax losses.

Special items

The net special item charge in the period of €100 million before tax (2017: net gain €5 million) comprises the following by business:

- Packaging Paper
    - Discontinuation of in-line silicone coating production at Štětí. Restructuring costs of €8 million and related impairment of assets of €47 million were recognised.
- Consumer Packaging
    - Restructuring of operations, primarily in the United Kingdom. Restructuring costs of €9 million and impairment of assets of €15 million were recognised.
    - Following the discontinuation of in-line silicone coating production at Štětí, restructuring costs of €3 million and related impairment of €2 million, offset by reversal of impairment of assets of €2 million, were recognised.
- Uncoated Fine Paper
    - Closure of an uncoated fine paper machine at Merebank. Restructuring costs of €13 million and related impairment of assets of €5 million were recognised.

Further detail is provided in note 5 of the condensed combined and consolidated financial statements.

Cash flow

Cash generated from operations of €722 million (2017: €612 million), reflects the continued strong cash generating capacity of the Group.

Working capital at 30 June 2018 was 14.3% as a percentage of annualised revenue (30 June 2017: 13.4%), higher than the year end level of 12.7%. This reflects the usual seasonal uptick in the first half of the year compounded by increasing average selling prices, giving rise to a net cash outflow of €148 million in the period (2017: €141 million).

During the period we completed the acquisition of Powerflute, an industrial bags plant in Egypt and forest plantations in South Africa for a total consideration, including net debt assumed of €415 million. Further significant cash outflows from financing activities included the payment of the 2017 final ordinary dividend (€207 million) and the 2017 special dividend in May 2018 (€484 million).

Capital investments

During the first half of the year we invested €347 million (2017: €254 million) in our property, plant and equipment. Our recently completed capital projects made good contributions during the period.

We are making good progress with our major capital expenditure programme, totalling over €750 million and securing future growth:

- The modernisation of our Štětí mill to replace the recovery boiler, rebuild the fibre lines and debottleneck the existing packaging paper machines is on track to start-up towards the end of the year.
- Our investment in a new 300,000 tonne per annum kraft top white machine and related pulp mill upgrade at our Ružomberok mill is progressing well. Work on the pulp mill upgrade is ongoing, with start-up expected in late 2019. The investment in the paper machine remains subject to obtaining necessary permitting with start-up expected in 2020.
- As part of our plan to maintain Syktyvkar's competitiveness and increase saleable production by around 100,000 tonnes per annum in the medium term, we are investing to debottleneck production and avoid unplanned shutdowns.
- We continue to invest in our Fibre Packaging and Consumer Packaging businesses to enhance our product and service offering.

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

Given the approved project pipeline and in the absence of any other major investments, our capital expenditure is expected to be in line with our previous estimate of €700-800 million per annum in 2018 and 2019 as expenditure on these large projects accelerates.

Treasury and borrowings

Net debt at 30 June 2018 was €2,450 million, up from €1,532 million at 31 December 2017, mainly as a consequence of the payment of the 2017 special dividend at the end of May (€484 million) and the completion of acquisitions totalling €415 million in the period. At 30 June 2018, the net debt to 12-month trailing underlying EBITDA ratio was 1.5 times.

In April 2018, we issued a 1.625% €600 million Eurobond with an 8-year tenor under our Euro Medium Term Note Programme, thereby extending the Group's maturity profile and maintaining our strong liquidity. At 30 June 2018, we had €2.5 billion of committed borrowing facilities of which €429 million were undrawn. The weighted average maturity of our committed debt facilities is approximately 4.6 years.

Finance charges of €40 million were below those of the comparable prior year period (€47 million). Average net debt was up on the comparable prior year period, while the average effective interest rate for the period was lower at 4.3% (six months ended 30 June 2017: 5.5%), primarily due to the redemption of the 5.75% €500 million Eurobond on maturity in April 2017.

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

Dividend

The Boards' aim is to offer shareholders long-term dividend growth within a targeted dividend cover range of two to three times underlying earnings over the business cycle.

An interim ordinary dividend of 21.45 euro cents per share has been declared by the directors and will be paid on 14 September 2018 to those shareholders on the register of Mondi plc on 24 August 2018. An equivalent South African rand interim ordinary dividend will be paid on 14 September 2018 to shareholders on the register of Mondi Limited on 24 August 2018. The dividend will be paid from distributable reserves of Mondi Limited and Mondi plc.

Outlook

The trading environment remains positive going into the second half of the year, with pricing in key fibre based product segments remaining supportive. The second half of the year will be impacted by the usual seasonal downturn in Uncoated Fine Paper. We also expect continued pressure on the cost base across the Group, mitigated by our ongoing proactive and comprehensive cost reduction programmes.

Mondi is uniquely positioned to develop sustainable fibre and plastic based packaging solutions. With our robust business model, focus on leveraging key industry trends of sustainability, e-commerce and convenience, and culture of driving performance, we remain confident of sustaining our track record of delivering value accretive growth.

Reorganisation of business units

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

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

The Group's restated segmental reporting for the six months ended 30 June 2018 and the comparative reporting periods for the six months ended 30 June 2017 and the year ended 31 December 2017 are disclosed later in this document. The reorganisation has no impact on the overall Group result.

Principal risks and uncertainties

The Boards are responsible for the effectiveness of the Group's risk management activities and internal control processes. They have put procedures in place for identifying, evaluating, and managing the significant risks that the Group faces. In combination with the audit committee, at the beginning of 2018, the Boards have conducted a robust assessment of the principal risks to which Mondi is exposed and they are satisfied that the Group has effective systems and controls in place to manage its key risks within the risk tolerance levels established. There have been no significant changes to the principal risks since 31 December 2017 as described on pages 34 to 40 of the Group's Integrated report and financial statements 2017.

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

Strategic risks

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

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

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

Our principal strategic risks relate to the following:

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

Financial risks

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

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

Our principal financial risks relate to the following:

- Capital structure
- Currency risk
- Tax risk

Operational risks

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

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

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 safety
- Attraction and retention of key skills and talent

Compliance risks

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

Our principal compliance risks relate to the following:

- Reputational risk
- Information technology risk

Going concern

The directors have reviewed the Group's current financial position, performance expectations for the next twelve months, and the significant risks which may impact the Group's performance in the near term. These include an evaluation of the current macroeconomic environment and reasonably possible changes in the Group's trading performance.

The Group's financial position, cash flows, liquidity position and borrowing facilities are described in the financial statements. At 30 June 2018, Mondi had €429 million of undrawn, committed debt facilities. The Group's debt facilities have maturity dates of between 1 and 8 years, with a weighted average maturity of 4.6 years.

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

Accordingly, the Group continues to adopt the going concern basis in preparing the condensed combined and consolidated financial statements.

Contact details

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Conference call dial-in and webcast details

Please see below details of our dial-in conference call and webcast that will be held at 09:00 (UK) and 10:00 (SA) today.

The conference call dial-in numbers are:

South Africa	0800 998 654 (toll-free)
UK	0800 358 6377 (toll-free)
Europe	0800 005 408 (toll-free)
Other	+44 330 336 9105
Confirmation Code	3862765 or Mondi results presentation

The webcast will be available via www.mondigroup.com/HYResults18.

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

Should you have any issues on the day with accessing the dial-in conference call, please call +44 330 336 9105.

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

A video recording of the presentation will be available on Mondi's website during the afternoon of 3 August 2018.

Directors' responsibility statement

The directors confirm that to the best of their knowledge:

- the condensed combined and consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards and in particular with International Accounting Standard 34, 'Interim Financial Reporting';
- the half-yearly results announcement includes a fair review of the significant events during the six months ended 30 June 2018 and a description of the principal risks and uncertainties for the remaining six months of the year ending 31 December 2018;
- there have been no significant individual related party transactions during the first six months of the financial year; and
- there have been no significant changes in the Group's related party relationships from that reported in the Integrated report and financial statements 2017.

The Group's condensed combined and consolidated financial statements, and related notes, were approved by the Boards and authorised for issue on 2 August 2018 and were signed on their behalf by:

Peter Oswald
Director

Andrew King
Director

2 August 2018

Independent review report of PricewaterhouseCoopers LLP to Mondi plc and PricewaterhouseCoopers Inc. to the shareholders of Mondi Limited

Mondi plc and Mondi Limited operate under a dual listed company structure as a single economic entity. The “Group” consists of Mondi plc, Mondi Limited and their respective subsidiaries. The Group financial statements combine and consolidate the financial statements of the Group and include the Group’s share of joint arrangements and associates.

PricewaterhouseCoopers LLP is the appointed auditor of Mondi plc, a company incorporated in the United Kingdom in terms of the United Kingdom Companies Act 2006. PricewaterhouseCoopers Inc. is the appointed auditor of Mondi Limited, a company incorporated in South Africa in terms of the Companies Act of South Africa. PricewaterhouseCoopers LLP and PricewaterhouseCoopers Inc. reviewed the interim financial statements of the Group.

For the purpose of this report, the terms ‘we’ and ‘our’ denote PricewaterhouseCoopers LLP in relation to UK legal, professional and regulatory responsibilities and reporting obligations to Mondi plc and PricewaterhouseCoopers Inc. in relation to South African legal, professional and regulatory responsibilities and reporting obligations to the shareholders of Mondi Limited. When we refer to PricewaterhouseCoopers LLP or PricewaterhouseCoopers Inc. such reference is to that specific entity to the exclusion of the other.

Report on the interim financial statements

Conclusion of PricewaterhouseCoopers LLP for Mondi plc
We have reviewed Mondi plc and Mondi Limited's condensed combined and consolidated half-yearly financial statements (the "interim financial statements") in the half-yearly results for the six months ended 30 June 2018. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, ‘Interim Financial Reporting’, as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom’s Financial Conduct Authority.

Conclusion of PricewaterhouseCoopers Inc. for Mondi Limited
We have reviewed Mondi plc and Mondi Limited’s condensed combined and consolidated half-yearly financial statements (the "interim financial statements") in the half-yearly results for the six months ended 30 June 2018. Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, ‘Interim Financial Reporting’, as issued by the International Accounting Standards Board (IASB), the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the South African Financial Reporting Standards Council and the provisions of the Companies Act of South Africa.

What we have reviewed
The interim financial statements comprise:

- the condensed combined and consolidated statement of financial position as at 30 June 2018;
- the condensed combined and consolidated income statement and the condensed combined and consolidated statement of comprehensive income for the period then ended;
- the condensed combined and consolidated statement of cash flows for the period then ended;
- the condensed combined and consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the half-yearly results have been prepared in accordance with International Accounting Standard 34, ‘Interim Financial Reporting’, as adopted by the European Union and as issued by the IASB and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom’s Financial Conduct Authority, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the South African Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards as adopted by the European Union and as issued by the IASB.

Responsibilities for the interim financial statements and the review

Responsibilities of the directors of Mondi plc and Mondi Limited
The half-yearly results, including the interim financial statements, are the responsibility of, and have been approved by, the directors. The directors are responsible for the preparation and presentation of the interim financial statements in accordance with International Accounting Standard 34, ‘Interim Financial Reporting’, as adopted by the European Union and as issued by the IASB, the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom’s Financial Conduct Authority, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the South African Financial Reporting Standards Council and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibilities
Our responsibility is to express a conclusion on the interim financial statements based on our review.

Independent review report of PricewaterhouseCoopers LLP to Mondi plc and PricewaterhouseCoopers Inc. to the shareholders of Mondi Limited (continued)

What a review of interim financial statements involves
PricewaterhouseCoopers LLP conducted their review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom.

PricewaterhouseCoopers Inc. conducted their review in accordance with International Standard on Review Engagements (ISRE) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' as issued by the International Auditing and Assurance Standards Board. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements. A review of interim financial statements in accordance with ISRE 2410 is a limited assurance engagement.

A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with either International Standards on Auditing (UK) or International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

As part of our review, we have read the other information contained in the half-yearly results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Use of the review report of PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP have prepared this review report, including their conclusion, for and only for Mondi plc for the purpose of the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. PricewaterhouseCoopers LLP do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

Chartered Accountants
London
2 August 2018

PricewaterhouseCoopers Inc.

Director: JFM Kotzé
Registered Auditor
Waterfall
2 August 2018

a) The maintenance and integrity of the Mondi Group website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim financial statements since they were initially presented on the website.

b) Legislation in the United Kingdom and South Africa governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Condensed combined and consolidated income statement

for the six months ended 30 June 2018

€ million	Notes	Six months ended 30 June 2018 Underlying	Six months ended 30 June 2018 Special items (Note 5)	Six months ended 30 June 2018 Total	Restated[1] Six months ended 30 June 2017 Underlying	Restated[1] Six months ended 30 June 2017 Special items (Note 5)	Restated[1] Six months ended 30 June 2017 Total	Restated[1] Year ended 31 December 2017 Underlying	Restated[1] Year ended 31 December 2017 Special items (Note 5)	Restated[1] Year ended 31 December 2017 Total
Group revenue		**3,727**	**—**	**3,727**	**3,582**	**—**	**3,582**	**7,096**	**—**	**7,096**
Materials, energy and consumables used		(1,766)	—	(1,766)	(1,744)	—	(1,744)	(3,452)	—	(3,452)
Variable selling expenses		(266)	—	(266)	(275)	—	(275)	(525)	—	(525)
Gross margin		1,695	—	1,695	1,563	—	1,563	3,119	—	3,119
Maintenance and other indirect expenses		(160)	—	(160)	(150)	—	(150)	(319)	—	(319)
Personnel costs		(528)	(8)	(536)	(544)	—	(544)	(1,053)	(9)	(1,062)
Other net operating expenses		(155)	(25)	(180)	(139)	5	(134)	(265)	(14)	(279)
Depreciation, amortisation and impairments		(222)	(67)	(289)	(227)	—	(227)	(453)	(38)	(491)
Operating profit		**630**	**(100)**	**530**	**503**	**5**	**508**	**1,029**	**(61)**	**968**
Net profit from equity accounted investees		—	—	—	—	—	—	1	—	1
Total profit from operations and equity accounted investees		630	(100)	530	503	5	508	1,030	(61)	969
Net finance costs	7	(40)	—	(40)	(47)	—	(47)	(85)	—	(85)
Profit before tax		590	(100)	490	456	5	461	945	(61)	884
Tax (charge)/credit	8	(132)	19	(113)	(87)	—	(87)	(181)	8	(173)
Profit for the period		**458**	**(81)**	**377**	**369**	**5**	**374**	**764**	**(53)**	**711**
Attributable to:										
Non-controlling interests		**26**		**26**	**25**		**25**	**43**		**43**
Shareholders		**432**		**351**	**344**		**349**	**721**		**668**

Earnings per share (EPS) attributable to shareholders euro cents		Six months ended 30 June 2018	Restated[1] Six months ended 30 June 2017	Restated[1] Year ended 31 December 2017
Basic EPS	9	**72.5**	**72.1**	**137.9**
Diluted EPS	9	**72.4**	**72.0**	**137.8**
Basic underlying EPS	9	**89.2**	**71.0**	**148.9**
Diluted underlying EPS	9	**89.1**	**71.0**	**148.8**
Basic headline EPS	9	**85.1**	**72.5**	**145.4**
Diluted headline EPS	9	**85.0**	**72.4**	**145.3**

Note:

1 The audited annual financial statements for the year ended 31 December 2017 and the reviewed interim financial statements for the six months ended 30 June 2017 were restated due to a change in accounting policy which has been disclosed in notes 2a and 2b of these condensed combined and consolidated financial statements. The restatements to the comparative information have not been audited.

Condensed combined and consolidated statement of comprehensive income

for the six months ended 30 June 2018

€ million	Six months ended 30 June 2018	Restated Six months ended 30 June 2017	Restated Year ended 31 December 2017
Profit for the period	**377**	**374**	**711**
Items that have been or may subsequently be reclassified to the condensed combined and consolidated income statement			
Cash flow hedges	—	2	—
Exchange differences on translation of foreign operations	(154)	(45)	(71)
Share of other comprehensive expense of equity accounted investees	—	(2)	(2)
Items that will not subsequently be reclassified to the condensed combined and consolidated income statement			
Remeasurements of retirement benefits plans	4	14	9
Tax effect thereof	—	(3)	(1)
Other comprehensive expense for the period	**(150)**	**(34)**	**(65)**
Total comprehensive income for the period	**227**	**340**	**646**
Attributable to:			
Non-controlling interests	**23**	**22**	**41**
Shareholders	**204**	**318**	**605**

Condensed combined and consolidated statement of financial position

as at 30 June 2018

€ million	Notes	As at 30 June 2018	Restated As at 30 June 2017	Restated As at 31 December 2017	Restated As at 1 January 2017
Property, plant and equipment		4,187	3,994	4,128	3,961
Goodwill		932	696	698	681
Intangible assets		101	124	111	120
Forestry assets	11	321	312	325	316
Other non-current assets		63	62	59	62
Total non-current assets		**5,604**	**5,188**	**5,321**	**5,140**
Inventories		921	879	867	850
Trade and other receivables		1,265	1,146	1,106	1,049
Cash and cash equivalents	16b	54	104	38	404
Other current assets		35	29	44	41
Total current assets		**2,275**	**2,158**	**2,055**	**2,344**
Total assets		**7,879**	**7,346**	**7,376**	**7,484**
Short-term borrowings	13	(305)	(351)	(291)	(673)
Trade and other payables		(1,121)	(1,065)	(1,074)	(1,100)
Other current liabilities		(206)	(158)	(184)	(167)
Total current liabilities		**(1,632)**	**(1,574)**	**(1,549)**	**(1,940)**
Medium and long-term borrowings	13	(2,206)	(1,434)	(1,280)	(1,309)
Net retirement benefits liability		(227)	(223)	(232)	(240)
Deferred tax liabilities		(241)	(251)	(248)	(260)
Other non-current liabilities		(57)	(70)	(60)	(70)
Total non-current liabilities		**(2,731)**	**(1,978)**	**(1,820)**	**(1,879)**
Total liabilities		**(4,363)**	**(3,552)**	**(3,369)**	**(3,819)**
Net assets		**3,516**	**3,794**	**4,007**	**3,665**
Equity					
Combined share capital and stated capital		542	542	542	542
Retained earnings and other reserves		2,646	2,948	3,141	2,820
Total attributable to shareholders		**3,188**	**3,490**	**3,683**	**3,362**
Non-controlling interests in equity		328	304	324	303
Total equity		**3,516**	**3,794**	**4,007**	**3,665**

The Group's condensed combined and consolidated financial statements, and related notes 1 to 21, were approved by the Boards and authorised for issue on 2 August 2018 and were signed on their behalf by:

Peter Oswald
Director

Andrew King
Director

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

Condensed combined and consolidated statement of changes in equity

for the six months ended 30 June 2018

€ million	Equity attributable to shareholders	Non-controlling interests	Total equity
At 1 January 2017, as previously reported (Audited)	3,392	304	**3,696**
Impact of change in accounting policy	(30)	(1)	**(31)**
Restated balance at 1 January 2017	3,362	303	**3,665**
Total comprehensive income for the period (Restated)	318	22	**340**
Dividends	(180)	(21)	**(201)**
Purchases of treasury shares	(20)	—	**(20)**
Other	10	—	**10**
Restated balance at 30 June 2017	3,490	304	**3,794**
Total comprehensive income for the period (Restated)	287	19	**306**
Dividends	(93)	(1)	**(94)**
Purchases of treasury shares	(4)	—	**(4)**
Other	3	2	**5**
Restated balance at 31 December 2017	3,683	324	**4,007**
Total comprehensive income for the period	204	23	**227**
Dividends	(691)	(17)	**(708)**
Purchases of treasury shares	(14)	—	**(14)**
Other	6	(2)	**4**
At 30 June 2018	**3,188**	**328**	**3,516**

Equity attributable to shareholders		Restated	Restated	Restated
€ million	As at 30 June 2018	As at 30 June 2017	As at 31 December 2017	As at 1 January 2017
Combined share capital and stated capital	542	542	542	542
Treasury shares	(24)	(26)	(27)	(24)
Retained earnings	3,220	3,351	3,568	3,187
Cumulative translation adjustment reserve	(756)	(580)	(604)	(536)
Post-retirement benefits reserve	(67)	(64)	(71)	(75)
Other reserves	273	267	275	268
Total	**3,188**	**3,490**	**3,683**	**3,362**

Condensed combined and consolidated statement of cash flows

for the six months ended 30 June 2018

€ million	Notes	Six months ended 30 June 2018	Restated Six months ended 30 June 2017	Restated Year ended 31 December 2017
Cash flows from operating activities				
Cash generated from operations	16a	722	612	1,363
Dividends received from other investments		—	—	1
Income tax paid		(110)	(73)	(151)
Net cash generated from operating activities		**612**	**539**	**1,213**
Cash flows from investing activities				
Investment in property, plant and equipment		(347)	(254)	(611)
Investment in forestry assets		(28)	(25)	(49)
Acquisition of subsidiaries, net of cash and cash equivalents	15	(383)	(34)	(37)
Other investing activities		15	2	3
Net cash used in investing activities		**(743)**	**(311)**	**(694)**
Cash flows from financing activities				
Proceeds from medium and long-term borrowings		354	154	25
Repayment of medium and long-term borrowings		—	(8)	(11)
Proceeds from Eurobonds		600	—	—
Repayment of Eurobonds		—	(500)	(500)
Net proceeds from/(repayment of) short-term borrowings		9	104	(4)
Interest paid		(32)	(59)	(97)
Dividends paid to shareholders	10	(691)	(180)	(273)
Dividends paid to non-controlling interests		(17)	(21)	(22)
Purchases of treasury shares		(14)	(20)	(24)
Net cash outflow from derivatives		(24)	(41)	(47)
Other financing activities		(8)	—	(5)
Net cash generated from/(used in) financing activities		**177**	**(571)**	**(958)**
Net increase/(decrease) in cash and cash equivalents		**46**	**(343)**	**(439)**
Cash and cash equivalents at beginning of period		(66)	377	377
Cash movement in the period	16c	46	(343)	(439)
Effects of changes in foreign exchange rates	16c	7	(2)	(4)
Cash and cash equivalents at end of period	16b	**(13)**	**32**	**(66)**

1 Basis of preparation

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

The Group's condensed combined and consolidated half-yearly financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34, 'Interim Financial Reporting'; the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee; Financial Pronouncements as issued by the Financial Reporting Council; and the requirements of the Companies Act of South Africa 2008. They should be read in conjunction with the Group's Integrated report and financial statements 2017, prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

There are no differences for the Group in applying IFRS as issued by the IASB and IFRS as adopted by the European Union (EU) and, therefore, the Group also complies with Article 4 of the EU IAS Regulation.

The condensed combined and consolidated financial statements have been prepared on a going concern basis as discussed in the commentary under the heading 'Going concern' on page 7.

The financial information set out above does not constitute statutory accounts as defined by section 434 of the UK Companies Act 2006. A copy of the statutory accounts for the year ended 31 December 2017 has been delivered to the Registrar of Companies. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the UK Companies Act 2006.

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

The preparation of these condensed combined and consolidated financial statements includes the use of estimates and assumptions. Although the estimates used are based on management's best information about current circumstances and future events and actions, actual results may differ from these estimates.

In preparing these condensed combined and consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's Integrated report and financial statements 2017, with the exception of changes in estimates that are required in determining the provision for income taxes for an interim period and the estimates required under the new accounting standards as described in note 2a.

These financial statements have been prepared under the supervision of the Group Chief Financial Officer, Andrew King CA (SA).

2a Accounting policies

The same accounting policies and alternative performance measures (APMs), methods of computation and presentation have been followed in the preparation of the condensed combined and consolidated financial statements for the six months ended 30 June 2018 as were applied in the preparation of the Group's annual financial statements for the year ended 31 December 2017, except as set out below.

The new Standards IFRS 9, 'Financial instruments' and IFRS 15, 'Revenue from contracts with customers' (including amendment), are effective and have been adopted, together with the early adoption of IFRS 16, 'Leases', for the financial year beginning on 1 January 2018. The accounting policies have been updated to reflect the changes required by the new accounting standards. The transitional options selected are detailed below.

A number of further amendments to IFRS became effective for the financial period beginning on 1 January 2018, but the Group did not have to change its accounting policies or make material retrospective adjustments as a result of adopting these new amendments.

Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual profits or losses.

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the condensed combined and consolidated income statement.

2a Accounting policies (continued)

Cash and cash equivalents (note 16b)

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments of a maturity of three months or less from the date of acquisition that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. Bank overdrafts are shown within short-term borrowings in current liabilities in the condensed combined and consolidated statement of financial position. Cash and cash equivalents presented in the condensed combined and consolidated statement of cash flows and in net debt (note 16c) are net of overdrafts.

Trade receivables

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

Impairment of trade receivables

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

Trade payables

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

Borrowings (note 13)

Interest bearing loans and overdrafts are initially recognised at fair value, net of direct transaction costs. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the condensed combined and consolidated income statement over the term of the borrowings using the effective interest rate method.

Borrowing costs (note 7)

Interest on borrowings directly relating to the acquisition, construction or production of qualifying assets is capitalised until such time as the assets are substantially ready for their intended use or sale. Where funds have been borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the construction period.

All other borrowing costs are recognised in the condensed combined and consolidated income statement in the period in which they are incurred.

Derivative financial instruments and hedge accounting

The Group enters into forward, option and swap contracts in order to hedge its exposure to foreign exchange, interest rate and commodity price risks.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and subsequently measured at fair value in the condensed combined and consolidated statement of financial position within derivative financial instruments, and are classified as current or non-current depending on the maturity of the derivative.

Changes in the fair value of derivative financial instruments that are not formally designated in hedge relationships are recognised immediately in the condensed combined and consolidated income statement and are classified within operating profit or net finance costs, depending on the type of risk to which the derivative relates.

Cash flow hedges

The effective portion of changes in the fair value of derivative financial instruments that are designated as hedges of future cash flows are recognised directly in other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in the condensed combined and consolidated income statement. If the cash flow hedge of a forecast transaction results in the recognition of a non-financial asset then, at the time the asset is recognised, the associated gains or losses on the derivative that had previously been recognised in the Group's cash flow hedge reserve in equity are included in the initial measurement of the asset. For hedges that do not result in the recognition of a non-financial asset, amounts deferred in the Group's cash flow hedge reserve in equity are recognised in the condensed combined and consolidated income statement in the same period in which the hedged item affects profit and loss on a proportionate basis.

Hedge accounting is discontinued when the hedge relationship is revoked or the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity remains in equity and is recognised in the condensed combined and consolidated income statement when the forecast transaction is ultimately recognised. If a hedge transaction is no longer expected to occur, the net cumulative gain or loss deferred in equity is included immediately in the condensed combined and consolidated income statement.

Transitional application

The Group has adopted IFRS 9, 'Financial Instruments', on 1 January 2018 and in accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

2a Accounting policies (continued)

Revenue from contracts with customers
Sale of goods (note 4)

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

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

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

Transitional application

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

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

Leases (note 12)
To the extent that a right-of-control exists over an asset subject to a lease, with a lease term exceeding one year, a right-of-use asset, representing the Group's right to use the underlying leased asset, and a lease liability representing the Group's obligation to make lease payments are recognised in the condensed combined and consolidated statement of financial position at the commencement of the lease.

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

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

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

Transitional application

The Group has elected to early adopt IFRS 16, 'Leases', with effect from 1 January 2018, with the retrospective transitional option per IFRS 16 C5 (a), applying IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'. The Group has elected to apply the practical expedient per IFRS 16 C3, such that the IFRS 16 definition of a lease would only be applied to assess whether contracts entered into after the date of initial application are, or contain leases. All contracts previously assessed not to contain leases have not been reassessed.

Alternative Performance Measures

The Group presents certain measures of financial performance, position or cash flows in the condensed combined and consolidated financial statements that are not defined or specified according to IFRS. These measures, referred to as Alternative Performance Measures (APMs), are defined on pages 38-39 and where relevant reconciled to IFRS in the notes to the condensed combined and consolidated financial statements, and are prepared on a consistent basis for all periods presented.

2b Restatement of comparative information

The following tables summarise the material impacts resulting from the changes in accounting policies on the Group's condensed combined and consolidated income statement, condensed combined and consolidated statement of comprehensive income, condensed combined and consolidated statement of financial position and condensed combined and consolidated statement of cash flows. The effect of restatement is purely attributable to the adoption of the new accounting standard IFRS 16, 'Leases'.

Condensed combined and consolidated income statement

	Six months ended 30 June 2017			Year ended 31 December 2017		
€ million	**As previously reported (Reviewed)**	**Effect of restatement**	**As restated**	**As previously reported (Audited)**	**Effect of restatement**	**As restated**
Group revenue	**3,582**	**—**	**3,582**	**7,096**	**—**	**7,096**
Materials, energy and consumables used	(1,746)	2	(1,744)	(3,456)	4	(3,452)
Variable selling expenses	(275)	—	(275)	(525)	—	(525)
Gross margin	1,561	2	1,563	3,115	4	3,119
Maintenance and other indirect expenses	(150)	—	(150)	(319)	—	(319)
Personnel costs	(544)	—	(544)	(1,062)	—	(1,062)
Other net operating expenses	(152)	18	(134)	(313)	34	(279)
Depreciation, amortisation and impairments	(213)	(14)	(227)	(464)	(27)	(491)
Operating profit	**502**	**6**	**508**	**957**	**11**	**968**
Net profit from equity accounted investees	—	—	—	1	—	1
Total profit from operations and equity accounted investees	502	6	508	958	11	969
Net finance costs	(40)	(7)	(47)	(71)	(14)	(85)
Profit before tax	462	(1)	461	887	(3)	884
Tax charge	(87)	—	(87)	(173)	—	(173)
Profit for the period	**375**	**(1)**	**374**	**714**	**(3)**	**711**
Attributable to:						
Non-controlling interests	25	—	25	43	—	43
Shareholders	350	(1)	349	671	(3)	668

The restatement had no impact on special items.

Earnings per share (EPS) attributable to shareholders	Six months ended 30 June 2017			Year ended 31 December 2017		
euro cents	**As previously reported (Reviewed)**	**Effect of restatement**	**As restated**	**As previously reported (Audited)**	**Effect of restatement**	**As restated**
Basic EPS	72.3	(0.2)	72.1	138.6	(0.7)	137.9
Diluted EPS	72.2	(0.2)	72.0	138.5	(0.7)	137.8
Basic underlying EPS	71.2	(0.2)	71.0	149.5	(0.6)	148.9
Diluted underlying EPS	71.2	(0.2)	71.0	149.4	(0.6)	148.8
Basic headline EPS	72.7	(0.2)	72.5	146.0	(0.6)	145.4
Diluted headline EPS	72.6	(0.2)	72.4	145.9	(0.6)	145.3

2b Restatement of comparative information (continued)

Condensed combined and consolidated statement of comprehensive income

€ million	Six months ended 30 June 2017 As previously reported (Reviewed)	Effect of restatement	As restated	Year ended 31 December 2017 As previously reported (Audited)	Effect of restatement	As restated
Profit for the period	**375**	**(1)**	**374**	**714**	**(3)**	**711**
Items that have been or may subsequently be reclassified to the condensed combined and consolidated income statement	(46)	1	(45)	(75)	2	(73)
Items that will not subsequently be reclassified to the condensed combined and consolidated income statement	11	—	11	8	—	8
Other comprehensive expense for the period	**(35)**	**1**	**(34)**	**(67)**	**2**	**(65)**
Total comprehensive income for the period	**340**	**—**	**340**	**647**	**(1)**	**646**
Attributable to:						
Non-controlling interests	22	—	22	41	—	41
Shareholders	318	—	318	606	(1)	605

Condensed combined and consolidated statement of financial position

€ million	As at 30 June 2017 As previously reported (Reviewed)	Effect of restatement	As restated	As at 31 December 2017 As previously reported (Audited)	Effect of restatement	As restated
Property, plant and equipment	3,822	172	3,994	3,962	166	4,128
Goodwill	696	—	696	698	—	698
Intangible assets	124	—	124	111	—	111
Forestry assets	312	—	312	325	—	325
Other non-current assets	61	1	62	58	1	59
Total non-current assets	**5,015**	**173**	**5,188**	**5,154**	**167**	**5,321**
Inventories	879	—	879	867	—	867
Trade and other receivables	1,146	—	1,146	1,106	—	1,106
Cash and cash equivalents	104	—	104	38	—	38
Other current assets	29	—	29	44	—	44
Total current assets	**2,158**	**—**	**2,158**	**2,055**	**—**	**2,055**
Total assets	**7,173**	**173**	**7,346**	**7,209**	**167**	**7,376**
Short-term borrowings	(326)	(25)	(351)	(267)	(24)	(291)
Trade and other payables	(1,065)	—	(1,065)	(1,074)	—	(1,074)
Other current liabilities	(158)	—	(158)	(184)	—	(184)
Total current liabilities	**(1,549)**	**(25)**	**(1,574)**	**(1,525)**	**(24)**	**(1,549)**
Medium and long-term borrowings	(1,248)	(186)	(1,434)	(1,098)	(182)	(1,280)
Net retirement benefits liability	(223)	—	(223)	(232)	—	(232)
Deferred tax liabilities	(258)	7	(251)	(255)	7	(248)
Other non-current liabilities	(70)	—	(70)	(60)	—	(60)
Total non-current liabilities	**(1,799)**	**(179)**	**(1,978)**	**(1,645)**	**(175)**	**(1,820)**
Total liabilities	**(3,348)**	**(204)**	**(3,552)**	**(3,170)**	**(199)**	**(3,369)**
Net assets	**3,825**	**(31)**	**3,794**	**4,039**	**(32)**	**4,007**
Equity						
Combined share capital and stated capital	542	—	542	542	—	542
Retained earnings and other reserves	2,978	(30)	2,948	3,172	(31)	3,141
Total attributable to shareholders	**3,520**	**(30)**	**3,490**	**3,714**	**(31)**	**3,683**
Non-controlling interests in equity	305	(1)	304	325	(1)	324
Total equity	**3,825**	**(31)**	**3,794**	**4,039**	**(32)**	**4,007**
Net debt	**(1,468)**	**(211)**	**(1,679)**	**(1,326)**	**(206)**	**(1,532)**

2b Restatement of comparative information (continued)

Condensed combined and consolidated statement of cash flows

€ million	Six months ended 30 June 2017 As previously reported (Reviewed)	Six months ended 30 June 2017 Effect of restatement	Six months ended 30 June 2017 As restated	Year ended 31 December 2017 As previously reported (Audited)	Year ended 31 December 2017 Effect of restatement	Year ended 31 December 2017 As restated
Net cash generated from operating activities	519	20	539	1,175	38	1,213
Net cash used in investing activities	(311)	—	(311)	(694)	—	(694)
Net cash used in financing activities	(551)	(20)	(571)	(920)	(38)	(958)
Net decrease in cash and cash equivalents	**(343)**	**—**	**(343)**	**(439)**	**—**	**(439)**

3 Seasonality

The seasonality of the Group's operations had no significant impact on the condensed combined and consolidated financial statements.

4 Operating segments

Identification of the Group's externally reportable operating segments

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

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

Six months ended 30 June 2018

€ million, unless otherwise stated	Packaging Paper	Fibre Packaging	Consumer Packaging	Uncoated Fine Paper	Corporate	Intersegment elimination	Total
Segment revenue	1,311	1,067	822	941	—	(414)	**3,727**
Internal revenue	(371)	(17)	(3)	(23)	—	414	**—**
External revenue	940	1,050	819	918	—	—	**3,727**
Underlying EBITDA	430	105	103	230	(16)	—	**852**
Depreciation and impairments	(75)	(37)	(31)	(61)	(1)	—	**(205)**
Amortisation	(4)	(3)	(9)	(1)	—	—	**(17)**
Underlying operating profit/(loss)	351	65	63	168	(17)	—	**630**
Special items	(55)	—	(27)	(18)	—	—	**(100)**
Operating segment assets	2,934	1,497	1,543	1,831	7	(210)	**7,602**
Operating segment net assets	2,568	1,146	1,295	1,523	3	—	**6,535**
Additions to non-current non-financial assets	508	80	42	129	—	—	**759**
Capital expenditure cash payments	172	53	38	84	—	—	**347**
Underlying EBITDA margin (%)	*32.8*	*9.8*	*12.5*	*24.4*	—	—	***22.9***
Return on capital employed (%)	*31.3*	*11.2*	*10.4*	*26.5*	—	—	***21.3***
Average number of employees (thousands)[1]	5.4	7.9	5.9	6.5	0.1	—	**25.8**

Note:
1 Presented on a full time employee equivalent basis

4 Operating segments (continued)

Six months ended 30 June 2017 (Restated)

€ million, unless otherwise stated	Packaging Paper	Fibre Packaging	Consumer Packaging	Uncoated Fine Paper	Corporate	Intersegment elimination	Total
Segment revenue	1,141	1,031	839	947	—	(376)	**3,582**
Internal revenue	(333)	(17)	(2)	(24)	—	376	**—**
External revenue	808	1,014	837	923	—	—	**3,582**
Underlying EBITDA	301	101	109	240	(21)	—	**730**
Depreciation and impairments	(73)	(37)	(34)	(65)	(1)	—	**(210)**
Amortisation	(2)	(3)	(11)	(1)	—	—	**(17)**
Underlying operating profit/(loss)	226	61	64	174	(22)	—	**503**
Special items	5	—	—	—	—	—	**5**
Operating segment assets	2,405	1,406	1,570	1,822	10	(202)	**7,011**
Operating segment net assets	2,087	1,065	1,327	1,508	7	—	**5,994**
Additions to non-current non-financial assets	125	51	79	84	—	—	**339**
Capital expenditure cash payments	122	47	36	49	—	—	**254**
Underlying EBITDA margin (%)	*26.4*	*9.8*	*13.0*	*25.3*	—	—	***20.4***
Return on capital employed (%)	*22.8*	*13.0*	*9.8*	*27.1*	—	—	***18.5***
Average number of employees (thousands)[1]	5.4	8.1	6.0	6.8	0.1	—	**26.4**

Year ended 31 December 2017 (Restated)

€ million, unless otherwise stated	Packaging Paper	Fibre Packaging	Consumer Packaging	Uncoated Fine Paper	Corporate	Intersegment elimination	Total
Segment revenue	2,292	2,055	1,646	1,832	—	(729)	**7,096**
Internal revenue	(642)	(34)	(5)	(48)	—	729	**—**
External revenue	1,650	2,021	1,641	1,784	—	—	**7,096**
Underlying EBITDA	639	194	222	464	(37)	—	**1,482**
Depreciation and impairments	(151)	(76)	(67)	(125)	(1)	—	**(420)**
Amortisation	(4)	(6)	(21)	(2)	—	—	**(33)**
Underlying operating profit/(loss)	484	112	134	337	(38)	—	**1,029**
Special items	3	—	(49)	(15)	—	—	**(61)**
Operating segment assets	2,537	1,377	1,552	1,826	17	(187)	**7,122**
Operating segment net assets	2,169	1,077	1,326	1,515	8	—	**6,095**
Additions to non-current non-financial assets	326	125	146	191	—	—	**788**
Capital expenditure cash payments	283	115	91	122	—	—	**611**
Underlying EBITDA margin (%)	*27.9*	*9.4*	*13.5*	*25.3*	—	—	***20.9***
Return on capital employed (%)	*25.6*	*11.2*	*10.4*	*26.6*	—	—	***19.3***
Average number of employees (thousands)[1]	5.3	8.1	6.0	6.8	0.1	—	**26.3**

Note:
1 Presented on a full time employee equivalent basis

4 Operating segments (continued)

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

€ million	Six months ended 30 June 2018	Restated Six months ended 30 June 2017	Restated Year ended 31 December 2017
Underlying EBITDA	**852**	**730**	**1,482**
Depreciation and impairments	(205)	(210)	(420)
Amortisation	(17)	(17)	(33)
Underlying operating profit	**630**	**503**	**1,029**
Special items (see note 5)	(100)	5	(61)
Net profit from equity accounted investees	—	—	1
Net finance costs	(40)	(47)	(85)
Profit before tax	**490**	**461**	**884**

Reconciliation of operating segment assets

	As at 30 June 2018		Restated As at 30 June 2017		Restated As at 31 December 2017	
€ million	Segment assets	Segment net assets	Segment assets	Segment net assets	Segment assets	Segment net assets
Group total	**7,602**	**6,535**	**7,011**	**5,994**	**7,122**	**6,095**
Unallocated						
Investment in equity accounted investees	3	3	6	6	3	3
Deferred tax assets/(liabilities)	25	(216)	24	(227)	26	(222)
Other non-operating assets/(liabilities)	181	(356)	190	(300)	178	(337)
Group capital employed	**7,811**	**5,966**	**7,231**	**5,473**	**7,329**	**5,539**
Financial instruments/(net debt)	68	(2,450)	115	(1,679)	47	(1,532)
Total assets/equity	**7,879**	**3,516**	**7,346**	**3,794**	**7,376**	**4,007**

	External revenue by location of production			External revenue by location of customer		
€ million	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
Revenue						
Africa						
South Africa	283	337	617	228	211	426
Rest of Africa	9	7	19	122	106	206
Africa total	292	344	636	350	317	632
Western Europe						
Austria	587	545	1,043	81	71	146
Germany	437	448	891	496	478	952
United Kingdom	36	37	75	122	116	241
Rest of western Europe	281	258	532	758	684	1,340
Western Europe total	1,341	1,288	2,541	1,457	1,349	2,679
Emerging Europe						
Poland	572	464	992	317	287	592
Rest of emerging Europe	741	688	1,348	523	460	954
Emerging Europe total	1,313	1,152	2,340	840	747	1,546
Russia	466	456	907	346	379	720
North America	272	301	583	366	389	747
South America	—	—	—	38	35	71
Asia and Australia	43	41	89	330	366	701
Group total	**3,727**	**3,582**	**7,096**	**3,727**	**3,582**	**7,096**

5 Special items

€ million	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
Operating special items			
Impairment of assets	(69)	—	(52)
Reversal of impairment of assets	2	—	14
Restructuring and closure costs			
Personnel costs	(8)	—	(9)
Other restructuring and closure costs	(25)	5	(14)
Total special items before tax and non-controlling interests	**(100)**	**5**	**(61)**
Tax credit (see note 8)	19	—	8
Total special items attributable to shareholders	**(81)**	**5**	**(53)**

Operating special items

Restructuring and closure costs and related impairments during the six months ended 30 June 2018 comprise:

- Packaging Paper
  - Discontinuation of in-line silicone coating production at Štětí, Czech Republic. Restructuring costs of €8 million and related impairment of assets of €47 million were recognised.
- Consumer Packaging
  - Restructuring of operations, primarily in the United Kingdom. Restructuring costs of €9 million and impairment of assets of €15 million were recognised.
  - Following the discontinuation of in-line silicone coating production at Štětí, Czech Republic, restructuring costs of €3 million and related impairment of €2 million, offset by reversal of impairment of assets of €2 million, were recognised.
- Uncoated Fine Paper
  - Closure of an uncoated fine paper machine at Merebank, South Africa. Restructuring costs of €13 million and related impairment of assets of €5 million were recognised.

6 Write-down of inventories to net realisable value

€ million	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
Write-down of inventories to net realisable value	(20)	(19)	(22)
Aggregate reversal of previous write-downs of inventories	9	14	19

7 Net finance costs

€ million	Six months ended 30 June 2018	Restated Six months ended 30 June 2017	Restated Year ended 31 December 2017
Investment income	**5**	**2**	**4**
Net foreign currency losses	**(2)**	**—**	**(2)**
Finance costs			
Interest expense			
Interest on bank overdrafts and loans	(35)	(38)	(65)
Interest on lease liabilities	(7)	(7)	(14)
Net interest expense on net retirement benefits liability	(4)	(4)	(9)
Total interest expense	**(46)**	**(49)**	**(88)**
Less: Interest capitalised	3	—	1
Total finance costs	**(43)**	**(49)**	**(87)**
Net finance costs	**(40)**	**(47)**	**(85)**

8 Tax charge

The Group's effective rate of tax before special items for the six months ended 30 June 2018, calculated on profit before tax and special items and including net profit from equity accounted investees, was 22% (six months ended 30 June 2017: 19%; year ended 31 December 2017: 19%).

€ million	Six months ended 30 June 2018	Restated Six months ended 30 June 2017	Restated Year ended 31 December 2017
UK corporation tax at 19.0% (2017: 19.25%)	1	1	1
SA corporation tax at 28% (2017: 28%)	4	13	28
Overseas tax	135	81	153
Current tax in respect of prior periods	(7)	—	5
Current tax	**133**	**95**	**187**
Deferred tax in respect of the current period	(1)	4	16
Deferred tax in respect of prior periods	—	(12)	(23)
Deferred tax attributable to a change in the rate of domestic income tax	—	—	1
Total tax charge before special items	**132**	**87**	**181**
Current tax on special items	(1)	—	(2)
Deferred tax on special items	(18)	—	(6)
Total tax credit on special items (see note 5)	**(19)**	**—**	**(8)**
Total tax charge	**113**	**87**	**173**

9 Earnings per share (EPS)

The calculation of basic and diluted EPS, basic and diluted underlying EPS and basic and diluted headline EPS is based on the following data:

	Earnings		
€ million	Six months ended 30 June 2018	Restated Six months ended 30 June 2017	Restated Year ended 31 December 2017
Profit for the period attributable to shareholders	**351**	**349**	**668**
Special items (see note 5)	100	(5)	61
Related tax (see note 5)	(19)	—	(8)
Underlying earnings for the period	**432**	**344**	**721**
Special items not excluded from headline earnings	(33)	5	(23)
Loss on disposal of subsidiaries and other assets	6	2	1
Impairments not included in special items	—	—	4
Related tax	7	—	1
Headline earnings for the period	**412**	**351**	**704**

	Weighted average number of shares		
million	(Reviewed) Six months ended 30 June 2018	(Reviewed) Six months ended 30 June 2017	(Audited) Year ended 31 December 2017
Basic number of ordinary shares outstanding	**484.4**	**484.3**	**484.3**
Effect of dilutive potential ordinary shares	0.2	0.4	0.3
Diluted number of ordinary shares outstanding	**484.6**	**484.7**	**484.6**

10 Dividends

The interim ordinary dividend for the year ending 31 December 2018 of 21.45 euro cents per share will be paid on 14 September 2018 to those shareholders on the register of Mondi plc on 24 August 2018. An equivalent South African rand interim ordinary dividend will be paid on 14 September 2018 to shareholders on the register of Mondi Limited on 24 August 2018. The dividend will be paid from distributable reserves of Mondi Limited and Mondi plc.

10 Dividends (continued)

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

euro cents per share	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
Final ordinary dividend paid (in respect of prior year)	42.90	38.19	38.19
Special dividend paid (in respect of prior year)	100.00		
Interim ordinary dividend paid			19.10
Interim ordinary dividend declared for the six months ended 30 June	**21.45**	**19.10**	
Final ordinary dividend proposed for the year ended 31 December 2017			42.90
Special dividend proposed for the year ended 31 December 2017			100.00
Total interim ordinary, final ordinary and special dividends proposed for period ended	**21.45**	**19.10**	**142.90**

€ million	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
Final ordinary dividend paid (in respect of prior year)	207	180	180
Special dividend paid (in respect of prior year)	484		
Interim ordinary dividend paid			93
Total ordinary and special dividends paid	**691**	**180**	**273**
Interim ordinary dividend declared for the six months ended 30 June	**104**	**93**	
Final ordinary dividend proposed for the year ended 31 December 2017			208
Special dividend proposed for the year ended 31 December 2017			485
Total interim ordinary, final ordinary and special dividends proposed for the period ended	**104**	**93**	**693**
Declared by Group companies to non-controlling interests	17	21	22

Dividend timetable

The interim ordinary dividend for the year ending 31 December 2018 will be paid in accordance with the following timetable:

	Mondi Limited	Mondi plc
Last date to trade shares cum-dividend		
JSE Limited	21 August 2018	21 August 2018
London Stock Exchange	Not applicable	22 August 2018
Shares commence trading ex-dividend		
JSE Limited	22 August 2018	22 August 2018
London Stock Exchange	Not applicable	23 August 2018
Record date		
JSE Limited	24 August 2018	24 August 2018
London Stock Exchange	Not applicable	24 August 2018
Last date for receipt of Dividend Reinvestment Plan (DRIP) elections by Central Securities Depository Participants	30 August 2018	30 August 2018
Last date for DRIP elections to UK Registrar and South African Transfer Secretaries by shareholders of Mondi Limited and Mondi plc	31 August 2018	24 August 2018*
Payment Date		
South African Register	14 September 2018	14 September 2018
UK Register	Not applicable	14 September 2018
DRIP purchase settlement dates (subject to market conditions and the purchase of shares in the open market)	20 September 2018	18 September 2018**
Currency conversion dates		
ZAR/euro	3 August 2018	3 August 2018
Euro/sterling	Not applicable	31 August 2018

* 31 August 2018 for Mondi plc South African branch register shareholders

** 20 September 2018 for Mondi plc South African branch register shareholders

Share certificates on the South African registers of Mondi Limited and Mondi plc may not be dematerialised or rematerialised between 22 August 2018 and 26 August 2018, both dates inclusive, nor may transfers between the UK and South African registers of Mondi plc take place between 15 August 2018 and 26 August 2018, both dates inclusive.

10 Dividends (continued)

Information relating to the dividend tax to be withheld from Mondi Limited shareholders and Mondi plc shareholders on the South African branch register will be announced separately, together with the ZAR/euro exchange rate to be applied, on or shortly after 3 August 2018.

11 Forestry assets

€ million	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
At 1 January	325	316	316
Capitalised expenditure	23	24	46
Acquisition of assets	5	1	3
Acquired through business combinations (see note 15)	14	—	—
Fair value gains	13	20	43
Impairment losses recognised	—	—	(3)
Felling costs	(32)	(41)	(73)
Currency movements	(27)	(8)	(7)
At 30 June / 31 December	**321**	**312**	**325**

The fair value of forestry assets is a level 3 measure in terms of the fair value measurement hierarchy (see note 19), consistent with prior years. The fair value of forestry assets is determined using a market approach.

12 Leases

From 1 January 2018 the Group early adopted IFRS 16, 'Leases'. Refer to note 2a and note 2b for the accounting policy and restatements, respectively. The right-of-use assets recognised on adoption of the new leasing Standard are reflected in the underlying asset classes of Property, plant and equipment, and related lease liabilities reflected as Borrowings.

Mondi has entered into various lease agreements. Leases over land and building have a weighted average term of 39 years, plant and equipment a weighted average term of 12 years and other assets a weighted average term of 4 years.

Right-of-use assets

	Right-of-use asset			Depreciation charge		
		Restated	Restated		Restated	Restated
€ million	As at 30 June 2018	As at 30 June 2017	As at 31 December 2017	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
Land and building	130	142	138	7	7	14
Plant and equipment	17	20	19	4	4	7
Other	11	13	12	3	3	6
Total	**158**	**175**	**169**	**14**	**14**	**27**

Additions to the right-of-use assets during the six months ended 30 June 2018 were €11 million (six months ended 30 June 2017: €18 million; year ended 31 December 2017: €27 million).

Lease liabilities

		Restated	Restated
€ million	As at 30 June 2018	As at 30 June 2017	As at 31 December 2017
Maturity analysis - contractual undiscounted cash flows			
Less than one year	40	42	40
One to five years	97	111	105
More than five years	279	304	300
Total undiscounted cash flows	**416**	**457**	**445**
Total lease liabilities	**197**	**213**	**208**
Current	24	26	25
Non current	173	187	183

The total cash outflow for leases during the six months ended 30 June 2018 was €21 million (six months ended 30 June 2017: €22 million; year ended 31 December 2017: €41 million).

12 Leases (continued)

Amounts recognised in the condensed combined and consolidated income statement

€ million	Six months ended 30 June 2018	Restated Six months ended 30 June 2017	Restated Year ended 31 December 2017
Interest on lease liabilities	7	7	14
Expenses relating to leases of low-value assets	1	—	—

13 Borrowings

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

€ million	Maturity	Interest rate %	As at 30 June 2018	As at 30 June 2017	As at 31 December 2017
Financing facilities					
Syndicated Revolving Credit Facility	July 2021	EURIBOR/LIBOR + margin	750	750	750
€500 million Eurobond	September 2020	3.375%	500	500	500
€500 million Eurobond	April 2024	1.500%	500	500	500
€600 million Eurobond	April 2026	1.625%	600	—	—
European Investment Bank Facility	June 2025	EURIBOR + margin	67	76	71
Export Credit Agency Facility	June 2020	EURIBOR + margin	24	43	34
Other	Various	Various	91	136	132
Total committed facilities			**2,532**	**2,005**	**1,987**
Drawn			(2,103)	(1,338)	(1,196)
Total committed facilities available			**429**	**667**	**791**

The €500 million Eurobond maturing in 2020 contains a coupon step-up clause whereby the coupon will be increased by 1.25% per annum if the Group fails to maintain at least one investment grade credit rating from either Moody's Investors Service or Standard & Poor's. Mondi currently has investment grade credit ratings from both Moody's Investors Service (Baa1, outlook stable) and Standard & Poor's (BBB+, outlook stable).

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

€ million	As at 30 June 2018	Restated As at 30 June 2017	Restated As at 31 December 2017
Secured			
Bank loans and overdrafts	3	2	—
Lease liabilities	197	213	208
Secured	**200**	**215**	**208**
Unsecured			
Bonds	1,592	995	995
Bank loans and overdrafts	719	564	349
Other loans	—	11	19
Total unsecured	**2,311**	**1,570**	**1,363**
Total borrowings	**2,511**	**1,785**	**1,571**
Maturity of borrowings			
Current	**305**	351	291
Non-current	**2,206**	1,434	1,280

14 Retirement benefits

All assumptions related to the Group's material defined benefit schemes and post-retirement medical plan liabilities were re-assessed individually and the remaining defined benefit schemes and unfunded statutory retirement obligations were re-assessed in aggregate for the six months ended 30 June 2018. Due to changes in assumptions and exchange rate movements, the net retirement benefits liability decreased by €5 million and the net retirement benefits asset increased by €5 million. The assets backing the defined benefit scheme liabilities reflect their market values as at 30 June 2018. Net remeasurement gains arising from changes in assumptions amounting to €4 million before tax have been recognised in the condensed combined and consolidated statement of comprehensive income.

15 Business combinations

To 30 June 2018

Acquisition of Powerflute Group Holdings Oy

Mondi acquired 100% of the outstanding share capital of Powerflute Group Holdings Oy (Powerflute) on 1 June 2018 for a total consideration of €363 million on a debt and cash-free basis.

Powerflute operates an integrated pulp and paper mill in Kuopio, Finland, with an annual production capacity of 285,000 tonnes of high-performance semi-chemical fluting. Powerflute's premium semi-chemical fluting is sold to a diverse range of customers, primarily for packaging fresh fruit and vegetables, but also other end-uses such as electronics, chemicals and pharmaceuticals. The provisional goodwill arising on the acquisition is attributable to the anticipated synergies from integrating Powerflute into the Group, the benefits from the skilled workforce and the expansion of the product range and geographic reach of Mondi's containerboard business.

Powerflute's revenue for the six months ended 30 June 2018 was €84 million with a profit after tax of €10 million. Powerflute's revenue of €13 million and profit after tax of €nil since the date of acquisition have been included in the condensed combined and consolidated income statement.

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

€ million	Book value	Revaluation	Fair value
Net assets acquired			
Property, plant and equipment	64	51	115
Intangible assets	7	3	10
Other non-current assets	1	—	1
Inventories	14	5	19
Trade and other receivables	48	—	48
Cash and cash equivalents	6	—	6
Other current assets	1	—	1
Total assets	**141**	**59**	**200**
Trade and other payables	(35)	—	(35)
Income tax liabilities	(3)	—	(3)
Other current liabilities	(1)	—	(1)
Deferred tax liabilities	(11)	(12)	(23)
Other provisions	—	(1)	(1)
Total liabilities (excluding debt)	**(50)**	**(13)**	**(63)**
Short-term borrowings	(31)	—	(31)
Debt assumed	**(31)**	**—**	**(31)**
Net assets acquired	**60**	**46**	**106**
Goodwill arising on acquisition			232
Cash acquired net of overdrafts			(6)
Net cash paid per condensed combined and consolidated statement of cash flows			**332**

Other acquisitions

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

NPP's revenue for the six months ended 30 June 2018 was €17 million with a profit after tax of €1 million. NPP's revenue of €nil and profit after tax of €nil since the date of acquisition have been included in the condensed combined and consolidated income statement.

15 Business combinations (continued)

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

World Hardwood's revenue for the six months ended 30 June 2018 was €nil with a profit after tax of €1 million. World Hardwood's revenue of €nil and profit after tax of €1 million since the date of acquisition have been included in the condensed combined and consolidated income statement.

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

€ million	Book value	Revaluation	Fair value
Net assets acquired			
Property, plant and equipment	17	7	24
Intangible assets	—	3	3
Forestry assets	13	1	14
Inventories	4	1	5
Trade and other receivables	5	—	5
Cash and cash equivalents	1	—	1
Total assets	**40**	**12**	**52**
Trade and other payables	(2)	(2)	(4)
Income tax liabilities	(1)	—	(1)
Deferred tax liabilities	—	(2)	(2)
Other provisions	—	(2)	(2)
Total liabilities (excluding debt)	**(3)**	**(6)**	**(9)**
Short-term borrowings	(4)	—	(4)
Debt assumed	**(4)**	**—**	**(4)**
Net assets acquired	**33**	**6**	**39**
Goodwill arising on acquisition			9
Goodwill arising on purchase price allocation adjustment (TSP)			1
Deferred acquisition consideration			(1)
Overdrafts net of cash acquired			3
Net cash paid per condensed combined and consolidated statement of cash flows			**51**

€ million	Goodwill	Net assets	Net cash paid
NPP	9	13	24
World Hardwood	—	27	27
Acquisitions total	**9**	**40**	**51**
Purchase price allocation adjustment (TSP)	1	(1)	—
Acquisitions total including adjustments	**10**	**39**	**51**

Transaction costs of €8 million were charged to the condensed combined and consolidated income statement.

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

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

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

To 31 December 2017

Mondi acquired 100% of the outstanding share capital of Excelsior Technologies Limited (Excelsior) on 3 February 2017 for a total consideration of GBP34 million (€40 million) on a debt and cash-free basis. Excelsior is a vertically-integrated producer of innovative flexible packaging solutions, mainly for food applications.

Mondi acquired 100% (51% effective share) of the outstanding share capital of Smurfit Kappa Recycling CE, s.r.o. (SK Recycling) on 8 March 2017 for a consideration of €1 million on a debt and cash-free basis. SK Recycling operates eight paper recycling sites in Slovakia.

15 Business combinations (continued)

Mondi acquired the remaining shares of Mondi TSP Co., Ltd. (TSP) that it did not already own (representing an interest of 50%) on 26 July 2017 for a consideration of THB143 million (€4 million) on a debt and cash-free basis. TSP operates a plant near Bangkok, Thailand, and produces consumer goods packaging products with a focus on retort stand-up pouches for the food and pet food industry.

€ million	Goodwill	Net assets	Net cash paid
Excelsior	21	12	31
SK Recycling	—	1	1
TSP	3	4	3
Acquisitions total	**24**	**17**	**35**
Purchase price adjustment (Uralplastic)	2	—	2
Acquisitions total including adjustments	**26**	**17**	**37**

16 Consolidated cash flow analysis

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

€ million	Six months ended 30 June 2018	Restated Six months ended 30 June 2017	Restated Year ended 31 December 2017
Profit before tax	**490**	**461**	**884**
Depreciation and amortisation	222	227	449
Net cash flow effect of current and prior period special items	90	(5)	40
Net finance costs	40	47	85
Decrease in provisions and net retirement benefits	(12)	(11)	(16)
Movement in working capital	(148)	(141)	(122)
Fair value gains on forestry assets	(13)	(20)	(43)
Felling costs	32	41	73
Loss on disposal of subsidiaries and other assets	6	2	1
Other adjustments	15	11	12
Cash generated from operations	**722**	**612**	**1,363**

(b) Cash and cash equivalents

€ million	As at 30 June 2018	As at 30 June 2017	As at 31 December 2017
Cash and cash equivalents per condensed combined and consolidated statement of financial position	54	104	38
Bank overdrafts included in short-term borrowings	(67)	(72)	(104)
Cash and cash equivalents per condensed combined and consolidated statement of cash flows	**(13)**	**32**	**(66)**

16 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	Total assets	Debt due within one year	Debt due after one year	Debt-related derivative financial instruments	Total debt	Total net debt
At 1 January 2017, as previously reported (Audited)	377	2	**379**	(624)	(1,119)	(19)	**(1,762)**	**(1,383)**
Impact of change in accounting policy	—	—	**—**	(22)	(190)	—	**(212)**	**(212)**
Restated balance at 1 January 2017	377	2	**379**	(646)	(1,309)	(19)	**(1,974)**	**(1,595)**
Cash flow (Restated)	(343)	(1)	**(344)**	396	(146)	—	**250**	**(94)**
Additions to lease liabilities (Restated)	—	—	**—**	(4)	(14)	—	**(18)**	**(18)**
Acquired through business combinations	—	—	**—**	(1)	(8)	—	**(9)**	**(9)**
Movement in unamortised loan costs	—	—	**—**	—	(1)	—	**(1)**	**(1)**
Net movement in derivative financial instruments	—	—	**—**	—	—	19	**19**	**19**
Reclassification (Restated)	—	2	**2**	(31)	31	—	**—**	**2**
Currency movements (Restated)	(2)	—	**(2)**	7	13	(1)	**19**	**17**
Restated balance at 30 June 2017	32	3	**35**	(279)	(1,434)	(1)	**(1,714)**	**(1,679)**
Cash flow (Restated)	(96)	—	**(96)**	108	132	—	**240**	**144**
Additions to lease liabilities (Restated)	—	—	**—**	(1)	(8)	—	**(9)**	**(9)**
Acquired through business combinations	—	(1)	**(1)**	(1)	—	—	**(1)**	**(2)**
Movement in unamortised loan costs	—	—	**—**	—	(1)	—	**(1)**	**(1)**
Net movement in derivative financial instruments	—	—	**—**	—	—	1	**1**	**1**
Reclassification (Restated)	—	(1)	**(1)**	(23)	23	—	**—**	**(1)**
Currency movements (Restated)	(2)	—	**(2)**	9	8	—	**17**	**15**
Restated balance at 31 December 2017	(66)	1	**(65)**	(187)	(1,280)	—	**(1,467)**	**(1,532)**
Cash flow	46	—	**46**	(9)	(954)	—	**(963)**	**(917)**
Additions to lease liabilities	—	—	**—**	(3)	(8)	—	**(11)**	**(11)**
Acquired through business combinations (see note 15)	—	—	**—**	(31)	—	—	**(31)**	**(31)**
Movement in unamortised loan costs	—	—	**—**	—	(1)	—	**(1)**	**(1)**
Net movement in derivative financial instruments	—	—	**—**	—	—	6	**6**	**6**
Reclassification	—	—	**—**	(21)	21	—	**—**	**—**
Currency movements	7	—	**7**	13	16	—	**29**	**36**
At 30 June 2018	**(13)**	**1**	**(12)**	**(238)**	**(2,206)**	**6**	**(2,438)**	**(2,450)**

17 Capital commitments

Capital commitments are based on capital projects approved to date and the budget approved by the Boards. As previously indicated, capital expenditure for 2018 is expected to be in the range of €700-€800 million. These capital projects are expected to be financed from existing cash resources and borrowing facilities.

18 Contingent liabilities

Contingent liabilities comprise aggregate amounts as at 30 June 2018 of €6 million (as at 30 June 2017: €6 million; as at 31 December 2017: €6 million) in respect of loans and guarantees given to banks and other third parties. No acquired contingent liabilities have been recorded in the Group's condensed combined and consolidated statement of financial position for all periods presented.

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

19 Fair value measurement

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

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

The assets measured at fair value on level 3 of the fair value measurement hierarchy are the Group's forestry assets as set out in note 11, certain assets acquired or liabilities assumed in business combinations.

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

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

Specific valuation methodologies used to value financial instruments include:

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

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

	Carrying amount			Fair value		
		Restated	Restated		Restated	Restated
€ million	As at 30 June 2018	As at 30 June 2017	As at 31 December 2017	As at 30 June 2018	As at 30 June 2017	As at 31 December 2017
Financial liabilities						
Borrowings	2,314	1,572	1,363	2,365	1,634	1,421

20 Related party transactions

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

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

There have been no significant changes to the related parties as disclosed in note 30 of the Group's Integrated report and financial statements 2017.

21 Events occurring after 30 June 2018

With the exception of the interim dividend declared for the six months ended 30 June 2018 (see note 10), and the reorganisation of business segments described below, there have been no material reportable events since 30 June 2018.

Reoganisation of business segments

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

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

The Group's restated segmental reporting for the six months ended 30 June 2018 and the comparative reporting periods for the six months ended 30 June 2017 and the year ended 31 December 2017 are disclosed on pages 37-38. The reorganisation has no impact on the overall Group result.

Production statistics

		Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
Packaging Paper				
Containerboard	'000 tonnes	1,189	1,119	2,297
Kraft paper	'000 tonnes	605	606	1,206
Softwood pulp	'000 tonnes	1,028	1,005	2,010
Internal consumption	'000 tonnes	958	931	1,874
Market pulp	'000 tonnes	70	74	136
Hardwood pulp	'000 tonnes	292	250	547
Internal consumption	'000 tonnes	292	246	543
Market pulp	'000 tonnes	—	4	4
Fibre Packaging				
Corrugated board and boxes	million m²	814	820	1,650
Industrial bags	million units	2,600	2,513	4,952
Extrusion coatings	million m²	665	667	1,281
Consumer Packaging				
Consumer packaging	million m^2	3,819	3,783	7,437
Uncoated Fine Paper				
Uncoated fine paper	'000 tonnes	840	818	1,644
Softwood pulp	'000 tonnes	174	197	375
Internal consumption	'000 tonnes	159	189	358
Market pulp	'000 tonnes	15	8	17
Hardwood pulp	'000 tonnes	587	675	1,345
Internal consumption	'000 tonnes	452	465	950
Market pulp	'000 tonnes	135	210	395
Newsprint	'000 tonnes	102	159	277

Exchange rates

	Average			Closing		
versus euro	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
South African rand	14.89	14.31	15.04	16.05	14.92	14.81
Czech koruna	25.50	26.78	26.33	26.02	26.20	25.54
Polish zloty	4.22	4.27	4.26	4.37	4.23	4.18
Pounds sterling	0.88	0.86	0.88	0.89	0.88	0.89
Russian rouble	71.96	62.76	65.88	73.16	67.54	69.39
Turkish lira	4.96	3.94	4.12	5.34	4.01	4.55
US dollar	1.21	1.08	1.13	1.17	1.14	1.20

Operating segments (Restated)

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

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

The Group's restated segmental reporting for the six months ended 30 June 2018 and the comparative reporting periods for the six months ended 30 June 2017 and the year ended 31 December 2017 are disclosed below. The reorganisation has no impact on the overall Group result.

Six months ended 30 June 2018 (Restated)

€ million, unless otherwise stated	Fibre Packaging	Consumer Packaging	Uncoated Fine Paper	Corporate & other	Intersegment elimination	Total
Segment revenue	2,020	822	941	—	(56)	**3,727**
Internal revenue	(30)	(3)	(23)	—	56	**—**
External revenue	1,990	819	918	—	—	**3,727**
Underlying EBITDA	535	103	230	(16)	—	**852**
Depreciation and impairments	(112)	(31)	(61)	(1)	—	**(205)**
Amortisation	(7)	(9)	(1)	—	—	**(17)**
Underlying operating profit/(loss)	416	63	168	(17)	—	**630**
Special items	(55)	(27)	(18)	—	—	**(100)**
Operating segment assets	4,274	1,543	1,831	7	(53)	**7,602**
Operating segment net assets	3,714	1,295	1,523	3	—	**6,535**
Additions to non-current non-financial assets	588	42	129	—	—	**759**
Capital expenditure cash payments	225	38	84	—	—	**347**
Underlying EBITDA margin (%)	*26.5*	*12.5*	*24.4*	—	—	***22.9***
Return on capital employed (%)	*24.3*	*10.4*	*26.5*	—	—	***21.3***
Average number of employees (thousands)[1]	13.3	5.9	6.5	0.1	—	**25.8**

Six months ended 30 June 2017 (Restated)

€ million, unless otherwise stated	Fibre Packaging	Consumer Packaging	Uncoated Fine Paper	Corporate & other	Intersegment elimination	Total
Segment revenue	1,850	839	947	—	(54)	**3,582**
Internal revenue	(28)	(2)	(24)	—	54	**—**
External revenue	1,822	837	923	—	—	**3,582**
Underlying EBITDA	402	109	240	(21)	—	**730**
Depreciation and impairments	(110)	(34)	(65)	(1)	—	**(210)**
Amortisation	(5)	(11)	(1)	—	—	**(17)**
Underlying operating profit/(loss)	287	64	174	(22)	—	**503**
Special items	5	—	—	—	—	**5**
Operating segment assets	3,662	1,570	1,822	10	(53)	**7,011**
Operating segment net assets	3,152	1,327	1,508	7	—	**5,994**
Additions to non-current non-financial assets	176	79	84	—	—	**339**
Capital expenditure cash payments	169	36	49	—	—	**254**
Underlying EBITDA margin (%)	*21.7*	*13.0*	*25.3*	—	—	***20.4***
Return on capital employed (%)	*19.4*	*9.8*	*27.1*	—	—	***18.5***
Average number of employees (thousands)[1]	13.5	6.0	6.8	0.1	—	**26.4**

Note:

1 Presented on a full time employee equivalent basis

Year ended 31 December 2017 (Restated)

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

Note:
1 Presented on a full time employee equivalent basis

Alternative Performance Measures

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

The most significant APMs are:

Net debt (note 16c)
A measure comprising short, medium, and long-term interest-bearing borrowings and the fair value of debt-related derivatives less cash and cash equivalents and current financial asset investments. Net debt provides a measure of the Group's net indebtedness or overall leverage.

Return on capital employed (ROCE) (note 4)
Trailing 12-month underlying operating profit, including share of equity accounted investees' net profit/(loss), divided by trailing 12-month average capital employed. Capital employed is adjusted for spend on those strategic projects which are not yet in production. Segments' 12-month average capital employed has been extracted from management reports. ROCE provides a measure of the efficient and effective use of capital in the business and is used for incentive purposes.

Special items (note 5)
Those financial items which the Group considers should be separately disclosed on the face of the condensed combined and consolidated income statement to assist in understanding the underlying financial performance achieved by the Group. Such items are generally material by nature and exceed €10 million and the Group, therefore, excludes these items when reporting underlying earnings and related measures in order to provide a measure of the underlying performance of the Group on a basis that is comparable from year to year.

Underlying EBITDA (note 4)
Operating profit before special items, depreciation, amortisation and impairments not recorded as special items. Underlying EBITDA provides a measure of the absolute growth in the cash generating ability of the business and is used for incentive purposes.

Underlying operating profit (condensed combined and consolidated income statement)
Operating profit before special items. Underlying operating profit provides a measure of operating performance and absolute growth in profitability of the operations.

Underlying profit before tax (condensed combined and consolidated income statement)
Profit before tax and special items. Underlying profit before tax provides a measure of the absolute growth in profitability before tax.

Underlying earnings (and per share measure) (note 9)
Net profit after tax attributable to shareholders, before special items. Underlying earnings (and the related per share measure based on the basic, weighted average number of ordinary shares outstanding), provides a measure of the Group's absolute growth in earnings.

Underlying and headline EPS (note 9)
Underlying EPS excludes the impact of special items and is a non-IFRS measure. It is included to provide an additional basis on which to measure the Group's earnings performance. The presentation of headline EPS is mandated under the Listings Requirements of the JSE Limited and is calculated in accordance with Circular 4/2018, 'Headline Earnings', as issued by the South African Institute of Chartered Accountants.

Cash flow generation
A measurement of the Group's cash generation before considering deployment of cash towards investment in property, plant and equipment ('capex' or 'capital expenditure'), acquisitions and disposals, payment of dividends to shareholders and injection by or outflow from purchase of non-controlling interests. Cash flow generation is a measure of the Group's ability to generate cash through the cycle before considering deployment of such cash.

Underlying EBITDA margin (note 4)
Underlying EBITDA expressed as a percentage of revenue provides a measure of the cash generating ability relative to revenue.

Underlying operating profit margin
Underlying operating profit expressed as a percentage of revenue provides a measure of the profitability of the operations relative to revenue.

Ordinary dividend cover
Basic underlying EPS divided by total ordinary dividend per share paid and proposed provides a measure of the Group's earnings relative to its deployment towards ordinary dividend payments.

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

Effective tax rate (note 8)
Underlying tax charge expressed as a percentage of underlying profit before tax. A measure of the Group's tax charge relative to its profit before tax expressed on an underlying basis.

Working capital as a percentage of revenue
Working capital, defined as the sum of trade and other receivables and inventories less trade and other payables, expressed as a percentage of trailing 12-month Group revenue. A measure of the Group's effective use of working capital relative to revenue.

Capex and investment in intangible assets as a percentage of depreciation, amortisation and impairments
Capex and investment in intangible assets divided by depreciation, amortisation and non-special impairments provides a measure of reinvestment into the Group's asset base relative to depreciation, amortisation and impairments.

Forward-looking statements

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

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

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

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

Editors' notes

Mondi is a global leader in packaging and paper, delighting its customers and consumers with innovative and sustainable packaging and paper solutions. Mondi is fully integrated across the packaging and paper value chain - from managing forests and producing pulp, paper and plastic films, to developing and manufacturing effective industrial and consumer packaging solutions. Sustainability is embedded in everything Mondi does. In 2017, Mondi had revenues of €7.10 billion and underlying EBITDA of €1.48 billion.

Mondi has a dual listed company structure, with a primary listing on the JSE Limited for Mondi Limited under the ticker MND, and a premium listing on the London Stock Exchange for Mondi plc, under the ticker MNDI. Mondi is a FTSE 100 constituent, and has been included in the FTSE4Good Index Series since 2008 and the FTSE/JSE Responsible Investment Index Series since 2007.

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